

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 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 Defence Materiel Organisation (DMO) exists to provide materiel (equipment and sustainment) elements of capability for the Australian Defence Force (ADF), as approved by the Government. It aims to fulfil this purpose in an effective, efficient, economical and safe manner; its record of achievements shows that it is performing well, however, improvement is always required and ongoing reform is essential. The DMO is an integral part of the Department of Defence; the DMO's status as a prescribed agency enables it to deliver and maintain Defence equipment in a way that is more responsive to its customers and highly accountable to the Government.

Throughout 2014-15, the DMO will:

- deliver government approved sustainment and acquisition outcomes
- provide timely, respected and independent advice on materiel sustainment and acquisition
- provide cost-effective materiel options to meet Defence's required outcomes
- improve the efficiency and transparency of its business
- build stronger and more trusted partnerships with industry
- maintain a balanced and flexible organisation with strong governance to support its performance
- build a capable workforce with a strong safety and performance culture to support its core functions
- improve and leverage its relationships with suppliers.

Across 2014-15, the DMO will consolidate improvements made in 2013-14 and implement further key elements of the DMO 2013-15 Strategic Framework through pursuit of four change priorities. Further details are contained in Section 2.1 Strategy Highlights.

Organisational Structure

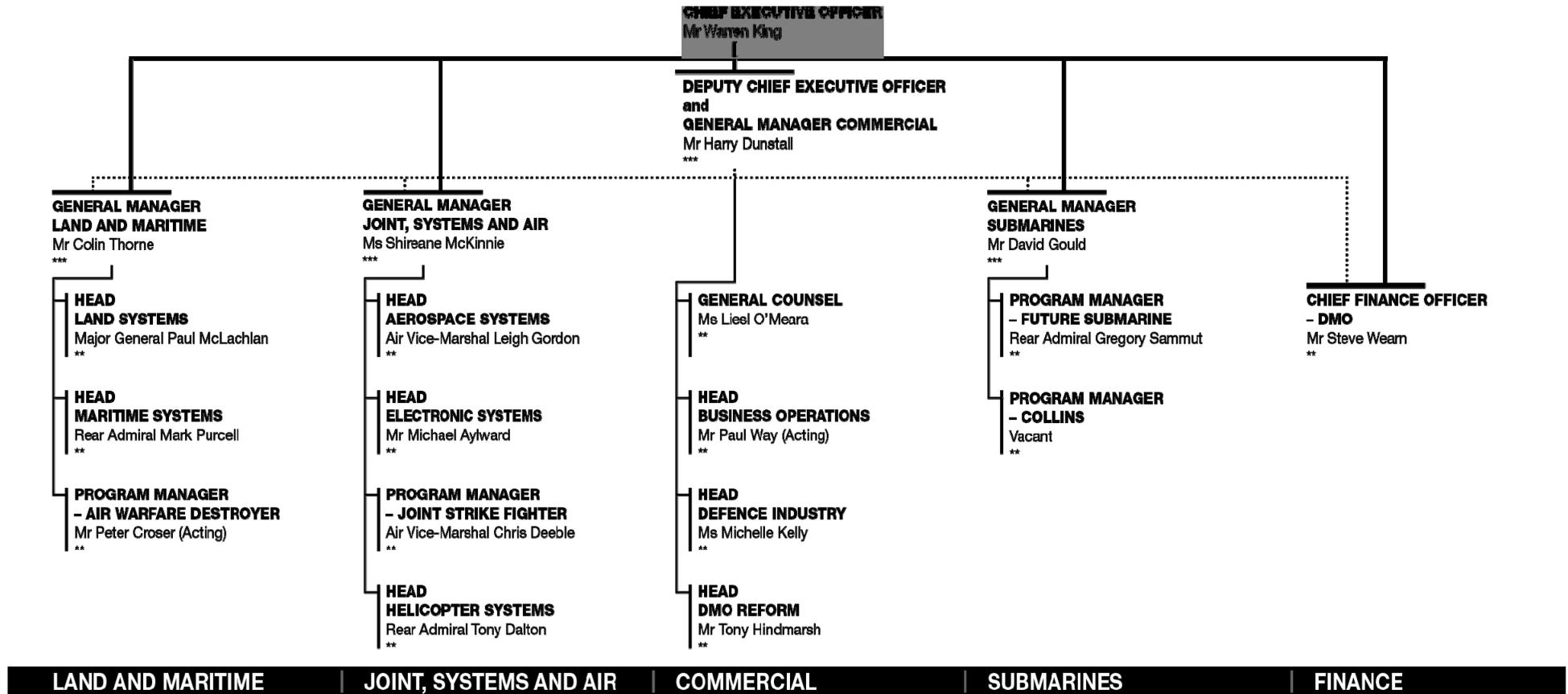
Effective as at April 2014, Program Manager New Air Combat Capability has been re-named Program Manager Joint Strike Fighter (JSF).

Reform Implementation

Continuing to implement the recommendations of various studies into the DMO's business and projects is again a priority for the coming year. The DMO will also further enhance its performance management and internal review processes to ensure delivery of the best possible outcomes to the ADF, the Government and Australian taxpayers.

DMO will continue to reform its work practices and workforce to best balance continued delivery of outcomes with directed savings. In the last 12 months, the DMO has reduced its APS workforce by around ten per cent.

Figure 4: The DMO Organisational Structure as at 1 May 2014



Senior Executive Changes

There have been no senior executive changes since last reporting in the *Portfolio Additional Estimates Statements 2013-14*.

1.2 DMO RESOURCE STATEMENT

Resourcing For 2014-15

The total net resourcing available to the DMO is \$12,856.2m. The majority is provided by Defence as an initial or anticipated payment of \$11,664.5m for the procurement of equipment and the provision of sustainment services to the ADF. The remaining amount constitutes an appropriation receipt of \$881.0m from Government for DMO's workforce and operating expenses, non-appropriation receipts of \$60.5m for services for non ADF customers, and the DMO special account opening balance of \$250.2m.

The DMO's total income and expense estimate in 2014-15 is \$12,580.1m which consists of \$6,308.7m for the procurement of equipment, \$6,166.0m for the sustainment of existing capability and support to operations, and \$105.5m for the provision of Australian Defence Industry programmes and management services.

In comparison to the 2014-15 estimates contained in the *Portfolio Additional Estimates Statements 2013-14*, there has been an increase in the DMO's income and expense estimate of \$456m. This is primarily a result of:

- increase in capital investment (major and minor) of \$528.2m
- increase in funding for operations of \$20.6m
- increase in funding for contracted services (sustainment) of \$12.6m
- reduction of the Net Personnel and Operating Costs provision held by Defence of \$74.4m
- reduction to Workforce and Operating costs of \$30.9m.

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

Table 77: DMO Resource Statement for Budget Estimates 2014-15 as at Budget May 2014

	Estimate of prior year amounts available in 2014-15 \$'000	+ Proposed at Budget 2014-15 \$'000	=	Total Estimate 2014-15 \$'000	Total Available Appropriation 2013-14 \$'000
ORDINARY ANNUAL SERVICES					
Departmental appropriation					
Prior year departmental appropriation ^[1]	250,203	-		250,203	247,136
Departmental appropriation ^[2]	-	881,031		881,031	872,432
Total Departmental appropriation	250,203	881,031		1,131,234	1,119,568
A Total Ordinary Annual Services	250,203	881,031		1,131,234	1,119,568
Total Available Annual Appropriations	250,203	881,031		1,131,234	1,119,568
Special Accounts					
Opening balance ^[3]	250,203	-		250,203	247,136
Appropriation receipts ^[4]	-	881,031		881,031	872,432
Appropriation receipts - other agencies ^[5]	-	11,664,460		11,664,460	10,033,372
Non-Appropriation receipts to Special Accounts	-	60,525		60,525	60,569
B Total Special Accounts	250,203	12,606,016		12,856,219	11,213,509
Total Resourcing (A + B)	500,406	13,487,047		13,987,453	12,333,077
Less appropriations drawn from annual appropriations above and credited to special accounts	250,203	881,031		1,131,234	1,119,568
Total Net Resourcing for DMO	250,203	12,606,016		12,856,219	11,213,509

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 78: Third Party Payments from and on Behalf of Other Agencies

	2014-15 \$'000	2013-14 \$'000
Receipts received from the Department of Defence for the provision of goods and services	11,664,460	10,033,372
Payments made to the Department of Defence for the provision of services ^[1]	273,102	266,291

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 BUDGET MEASURES AND OTHER ADJUSTMENTS

Budget measures relating to the DMO are detailed in *Budget Paper No.2 Budget Measures 2014-15* and are summarised in the following table.

Table 79: DMO 2014-15 Budget Measures

	Programme Impacted	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Outcome 1						
Budget measures						
Efficiency Dividend- a further increase of						
0.25 per cent						
	1.3	-	(244)	(487)	(709)	(743)
Total		-	(244)	(487)	(709)	(743)

1.4 PEOPLE

Workforce Summary

The DMO combined APS; ADF and Contractor workforce projected result is 6,606. This is a decrease of 52 in comparison with the *Portfolio Additional Estimates Statements 2013-14* revised estimates of 6,658. It is important to note that the DMO manages its workforce under a combined APS, ADF and Contractor model. Under DMO’s approved combined workforce model it is able to employ additional civilian staff to fill positions that cannot be filled by ADF members with the appropriate skills and experience, which may lead to the DMO exceeding its budgeted APS workforce even though its overall workforce (civilian + military + contractor) is within agreed parameters. Therefore, the overall total workforce plan should be viewed in its entirety.

The 2014-15 estimated workforce of 6,604 is 752 less than the 2014-15 estimated workforce in the *Portfolio Budget Statements 2013-14*. The 2013-14 forecast outcome reflects a constrained result due to the APS wide recruitment slowdown in 2013-14. Moving forward it is anticipated that the First Principles Review of Defence and DMO as well as planned future reforms will determine the future DMO workforce requirements.

Table 80: Planned Workforce for the 2014-15 Budget and Forward Estimates

		2013-14 Projected Result	2014-15 Budget Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate
Navy		310	314	364	368	368
Army		361	364	492	497	494
Air Force		669	669	944	957	956
Sub Total Permanent Force ^[1]	A	1,341	1,347	1,800	1,822	1,818
DMO - APS		4,815	4,777	5,106	5,141	5,098
APS - ADF backfill ^[2]		428	432			
Total DMO APS	B	5,243	5,209	5,106	5,141	5,098
DMO Contractor ^[3]	C	22	48	46	46	44
Total Workforce Strength (A+B+C)		6,606	6,604	6,952	7,009	6,960

Notes

1. Numbers for ADF Permanent Force includes the DMO ADF Permanent Force and Reservists on continuous full-time service.
2. The figures for the Defence Materiel Organisation’s APS workforce for 2013-14 include estimates of its APS - ADF backfill (funded from APS shortfall) in combined workforce total.
3. Contractors (formerly known as Professional Service Providers) are individuals under contract performing agency roles. Contractors are not APS employees.

Table 81: Breakdown of Personnel Numbers by Service and Rank Including APS and Contractors

	2013-14 Projected Result ^[1]	2014-15 Budget Estimate
Navy		
Star Ranked Officers ^[2]	9	9
Senior Officers ^[3]	56	56
Junior Officers	130	132
Other Ranks	116	117
Sub-Total: Navy^[4]	310	314
Army		
Star Ranked Officers ^[2]	5	5
Senior Officers ^[3]	62	62
Junior Officers	155	156
Other Ranks	140	141
Sub-Total: Army^[4]	361	364
Air Force		
Star Ranked Officers ^[2]	9	8
Senior Officers ^[3]	90	90
Junior Officers	329	329
Other Ranks	242	242
Sub-Total: Air Force^[4]	669	669
APS		
Senior Executives ^{[2][5]}	35	35
Senior Officers ^[3]	1,590	1,660
Other APS Staff	3,190	3,082
Sub-Total: APS	4,815	4,777
APS - ADF backfill	428	432
Total DMO APS	5,243	5,209
Total Contractors^[5]	22	48
Total DMO Workforce	6,606	6,604

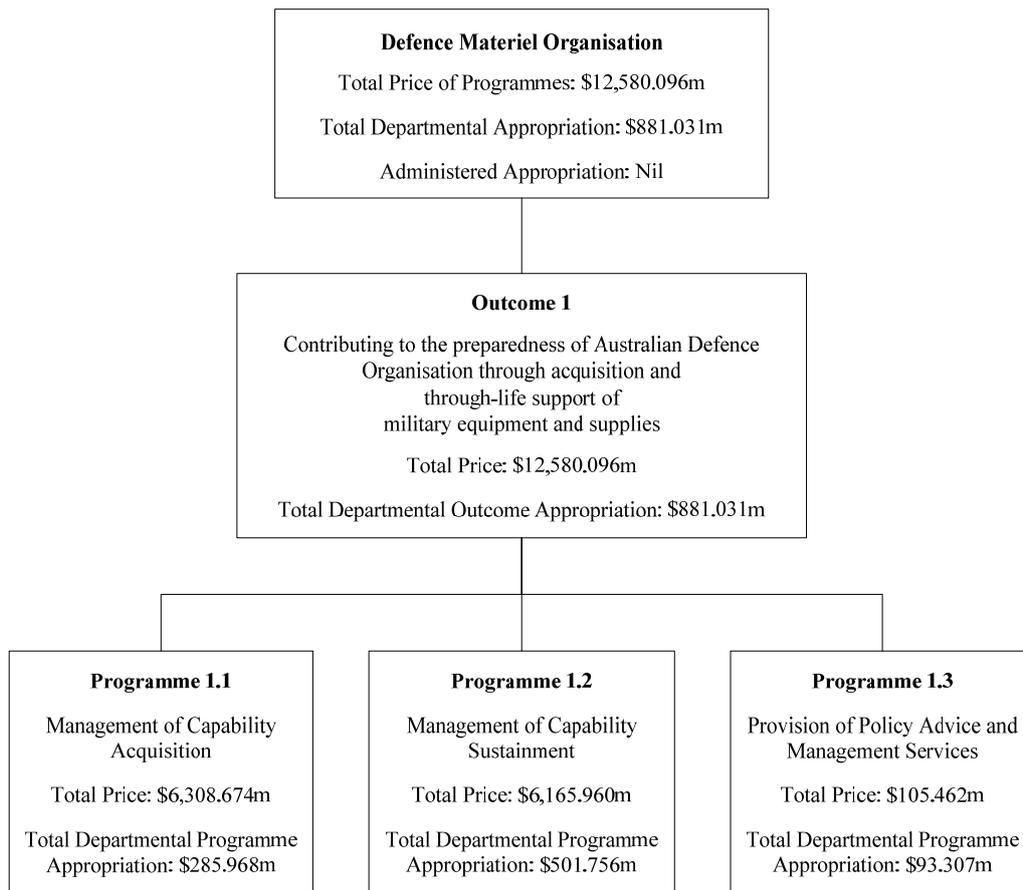
Notes

1. 2013-14 Projected Result is FTE Average, hence figures may not add due to rounding.
2. Senior Executive Officers and Star Ranked Officers are of General to Brigadier rank equivalent and substantive Senior Executive Band 3 to 1.
3. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
4. Reflects the ADF Permanent forces and includes Reservists undertaking continuous full-time service.
5. Contractors (formerly known as Professional Service Providers) are individuals with specialist skills under contract to fill line positions.

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

In 2014-15, the DMO will continue to deliver against Outcome 1 targets while simultaneously pursuing improvement and change activities to enhance future performance against this Outcome.

Under Programme 1.1, Management of Capability Acquisition, the DMO will:

- deliver the approved materiel elements of the Defence Capability Plan (DCP) and continue to meet capability and budget targets while striving to improve overall schedule performance
- perform the role of Defence Business Domain Process Owner for Procurement and Project Management
- perform the role of Defence Business Domain Process Owner for Materiel Engineering and Materiel Logistics
- undertake an independent Gate Review of major acquisition projects
- improve and rationalise methods for cost and schedule estimation prior to contract and for monitoring and control of schedules post contract award.

Under Programme 1.2, Management of Capability Sustainment, the DMO will:

- support military operations
- sustain materiel as specified in the Materiel Sustainment Agreements
- continue to implement efficiency measures to reduce cost of ownership
- perform the role of the Defence Business Process Owner for Materiel Engineering, Sustainment Management and Materiel Logistics
- continue the implementation of a more standardised Sustainment Model to promote better and more consistent practice
- continue the development of sustainment management skilling programs and the development of standardised sustainment performance measures.

Under Programme 1.3, Provision of Policy Advice and Management Services, the DMO will:

- provide independent assurance and trusted expert advice to the Government and Defence on materiel acquisition and sustainment, with a particular focus on using DMO resources more efficiently to deliver acquisition and sustainment services
- deliver Defence industry programmes and inform the development of the Defence Industry Policy Statement 2015
- perform the role of the Defence Business Domain Process Owner for procurement and intellectual property

- proactively engage with and support reviews such as the National Commission of Audit, Defence First Principles and DMO review, Defence White Paper and Force Structure review
- streamline internal policy and process
- identify opportunities for reform across the DMO, plan early phases of potential implementation and identify possible pilot activities and, in parallel, enhance the skill and diversity of the DMO workforce and collaborate with Defence industry to support sustained delivery of services required by Government and the Australian Defence Organisation
- reduce the costs of tendering, including increasing industry involvement in the early stages of the lifecycle for the acquisition and sustainment of new capabilities
- continue to build on the foundation of the Australian Military Sales Office with a comprehensive suite of programmes and initiatives for Defence industry export development, including facilitating government-to-government sales on behalf of industry.

STRATEGY HIGHLIGHT: DMO Change Priorities 2014-15

At the end of 2012, the CEO DMO released the DMO 2013-15 Strategic Framework. This announced the DMO's purpose, vision, goals, functions, values and behaviours as the basis for delivering required performance to the Defence Capability Managers and driving further internal reform.

The DMO has already undertaken a significant range of reforms through internal business improvement initiatives and also by supporting the Capability Managers to achieve more than \$1.4 billion in Smart Sustainment savings under the Strategic Reform Program; however, these alone are unlikely to be sufficient to address the emergent challenges. The DMO recognises the need for a more pervasive reform approach that will transform the way the DMO does business and better leverages opportunities for industry innovation and efficiency.

To best align the DMO's activities to the Strategic Framework, the CEO DMO is implementing four change priorities for 2014-15. These priorities will be used to focus DMO improvement activities on the means to sustainably deliver, within available resourcing, the outcomes agreed with Capability Managers and without compromising safety. The four change priorities are:

1. Deliver acquisition and sustainment more efficiently

Use DMO resources more efficiently to deliver approved acquisition and sustainment services to the Australian Defence Organisation.

2. Interact with reviews

Proactively engage with and support the National Commission of Audit, Defence First Principles review, Defence White Paper, Force Structure Review and DMO review. Implement the accepted recommendations of reviews applicable to the DMO.

3. Streamline internal processes

Streamline internal policies and processes to empower greater delegation of decisions. Apply minimum essential guidance required to execute DMO business activities.

4. Reform the DMO

Identify opportunities for reform across the DMO, plan early phases of potential implementation, and identify possible pilot activities. In parallel, enhance the skill and diversity of the DMO workforce and collaborate with Defence industry to support sustained delivery of services required by Government and Australian Defence Organisation.

The planned Defence First Principles Review and associated DMO Review are anticipated to provide further guidance to the DMO on options for reform. In the interim, the DMO will explore and test opportunities to best position the DMO for this further change.

Outcome Expenses and Resource Statement

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

Table 82: 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 Estimated Actual \$'000	2014-15 Budget Estimate \$'000
Programme 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation ^[1]	267,635	285,968
Special Accounts	4,069,176	6,015,515
Expenses not requiring appropriation in the Budget year ^[2]	7,016	7,191
Total for Programme 1.1	4,343,827	6,308,674
Programme 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation ^[1]	508,048	501,756
Special Accounts	5,067,723	5,648,945
Expenses not requiring appropriation in the Budget year ^[2]	14,887	15,259
Total for Programme 1.2	5,590,658	6,165,960
Programme 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation ^[1]	96,749	93,307
Special Accounts	2,449	894
Expenses not requiring appropriation in the Budget year ^[2]	11,013	11,261
Total for Programme 1.3	110,211	105,462
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation ^[1]	872,432	881,031
Special Accounts	9,139,348	11,665,354
Expenses not requiring appropriation in the Budget year ^[2]	32,916	33,711
Total Expenses for Outcome 1	10,044,696	12,580,096
	2013-14	2014-15
Average Staffing Level (number)^[3]	5,243	5,209

Notes

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

Acquisition projects will be delivered in accordance with approved parameters and in a transparent and accountable manner.

Programme 1.1 Expenses

The cost of Programme 1.1 provides for estimated expenditure on acquisition of specialist military and associated equipment for the ADF. This covers all the DMO's activities in support of acquisition processes for major and minor capital investment projects. The estimated expenses for this Programme include the estimated budget for all approved projects together with an estimate for the unapproved major and minor projects that are expected to be approved and transferred from Defence during that year.

The planned resource use for Programme 1.1 is \$6,308.7m in 2014-15 which represents approximately 50.1 per cent of the DMO's total expenses.

The planned resource use for Programme 1.1 includes:

- the DMO major capital investment programme of \$5,879.4m, which comprises the Approved Major Capital Investment Programme of \$5,108.6m and \$770.8m of work planned to be transferred to the DMO during 2014-15 from Defence
- the DMO minor capital investment programme of \$136.1m, including the approved minor programme of \$23.3m and \$112.8m of work to be transferred to the DMO during 2014-15
- direct appropriation of \$286.0m relating to Acquisition Workforce and Operating Expenses
- resources received free of charge from Defence of \$7.2m.

The significant increase in expenses in 2014-15 compared to the 2013-14 Estimated Actual is mainly due to increases in activity in several higher value major projects. These projects include AIR 5349 Phase 3 EA-18G Growler (increase \$499m), AIR 7000 Phase 2 P-8A Poseidon Aircraft (increase \$300m) and AIR8000 Phase 2 Battlefield Airlift - C27J (increase \$156m).

Table 83: Programme 1.1 Management of Capability Acquisition

	2013-14 Estimated Actual \$'000	2014-15 Budget \$'000	2015-16 Forward estimate \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,069,176	6,015,515	6,576,356	5,979,445	7,133,178
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	267,635	285,968	307,254	338,926	362,256
Expenses not requiring appropriation in the Budget year ⁽¹⁾	7,016	7,191	7,371	7,555	7,744
Total Programme Expenses	4,343,827	6,308,674	6,890,981	6,325,926	7,503,178

Note

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

Programme 1.1 Deliverables

This Programme delivers specialist military and associated equipment. It encompasses the DMO’s activities in support of the acquisition process, including all pre-approval activities for major and minor capital investments.

The DMO is currently managing approximately 180 major capital projects. A major capital project meets more than one of the following criteria; it has an estimated total one-time cost of bringing the capital equipment concerned into operation of \$20m or more; the unit cost of an individual item in a multi-item acquisition is estimated at \$1m or more; and the project is strategically important and/or has significant Defence policy or joint service implications. Government approvals are in a Joint Project Directive issued by the Secretary and the Chief of the Defence Force (for projects approved after March 2010). Key deliverables are described in more detail in a Materiel Acquisition Agreement (MAA) with the Capability Development Group and relevant Capability Manager. The Top 30 major capital equipment projects are discussed under the project headings in Table 84. A status update on other major projects that were included in the Top 30 list in previous years is provided at Table 86.

The DMO is currently managing six minor capital investment programmes funded by the Capability Managers which incorporate approximately 50 minor acquisition projects with an average value of \$8.9m. The number of minor projects has decreased from the previous year (by approximately 29 per cent) as a result of the closure of projects that have achieved delivery. A minor capital project, as stated in the current policy guidance, is classified as having a low to medium risk, or low strategic significance, is nominally valued up to \$20m and generally will not exceed \$100m. The Top 10 minor capital projects are discussed under the project headings following Table 87.

Programme 1.1 Key Performance Indicators

The key performance indicators are to deliver major and minor capital equipment within the agreed parameters for schedule, scope and budget. The detail varies with each project and is specified in each project’s MAA.

Australian Defence industry involvement in major capital equipment projects will be reported as an appendix in the *Defence Annual Report 2014-15*.

Top 30 Projects by 2014-15 Forecast Expenditure

Table 84 lists the Top 30 Government-approved major projects by forecast expenditure for 2014-15. The descriptions that follow provide details of the capability being acquired including delivery schedules, project risk and strategies employed by project offices to manage this risk.

In 2014-15, the ten largest projects within the Top 30 list are forecast to constitute 65 per cent of the DMO's total forecast acquisition expenditure for 2014-15 (predicted on the forecast outcome for 2013-14).

Table 84: Top 30 Projects by 2014-15 Forecast Expenditure (Gross Plan)

	Project Number/ Phase	Approved Project Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m
General Manager Joint, Systems and Air				
Aerospace Systems				
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	3,037	335	797
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	3,505	122	324
Battlefield Airlift - Caribou Replacement	AIR 8000 Phase 2	1,289	446	314
Air to Air Refuelling Capability	AIR 5402	1,821	1,587	142
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,873	3,513	64
C-17 Globemaster III	AIR 8000 Phase 3	1,697	1,364	57
Lead-In Fighter Capability Assurance Program	AIR 5438 Phase 1A	264	69	49
Electronic Systems				
Battlefield Command Systems	LAND 75 Phase 4	327	17	158
Battlespace Communications System (LAND)	JP 2072 Phase 3	176	15	126
Battlespace Communications System (LAND)	JP 2072 Phase 2A	460	274	73
Anzac Electronic Support System Improvements	SEA 1448 Phase 4A	269	33	58
Battle Management System	LAND 75 Phase 3.4	315	213	38
Joint Command Support Environment	JP 2030 Phase 8	256	168	33
C-130J Large Aircraft Infrared Countermeasures (LAIRCM)	AIR 5416 Phase 4B2	203	26	31
Replenish Nulka Warstock	SEA 1397 Phase 5A	85	36	27
High Frequency Modernisation	JP 2043 Phase 3A	580	453	25
Helicopter Systems				
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	3,237	902	505
Multi Role Helicopter	AIR 9000 Phase 2	3,785	2,430	286
Medium Lift Helicopter	AIR 9000 Phase 5C	617	249	166
Joint Strike Fighter				
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	2,940	446	238

Table 84 (Continued): Top 30 Projects by 2014-15 Forecast Expenditure (Gross Plan)

	Project Number/ Phase	Approved Project Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2014 \$m	Budget Estimate 2014-15 \$m
General Manager Land and Maritime				
Guided Weapons Branch				
Bridging Air Combat Capability	AIR 5349 Phase 2	288	145	32
Air Warfare Destroyer				
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,848	5,192	616
Land Systems				
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3A/5A	1,021	595	171
Overlander - Medium Heavy Capability, Field Vehicles, Modules and Trailers	LAND 121 Phase 3B	3,469	53	119
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,252	918	68
Maritime Systems				
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,089	2,621	143
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	678	468	77
Amphibious Watercraft Replacement	JP 2048 Phase 3	240	90	55
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	387	300	28
General Manager Submarines				
Future Submarines				
Future Submarine - Acquisition	SEA 1000 Phase 1A	235	65	98
Total -Top 30 Projects (Gross Plan)				
		47,245	23,147	4,919

Table 85: Major Capital Investment Programme by 2014-15 Forecast Expenditure

	2014-15 Budget Estimate \$m
A Top 30 Projects Gross Plans	4,919
B Other Approved Project Gross Plans	621
C Total Gross Plan Project Estimates (A+B)	5,540
D Management Margin: Slippage ^[1]	-432
E Payments Required from Defence for the Approved Programme (C+D)	5,109
F Projects Planned for Government Consideration and Transfer to the DMO	771
Total Estimated Funds Available (E+F)	5,879

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.

Table 85 reflects the cash payment required from Defence to fund the current Approved Major Capital Investment Programme. The Total Programme Estimate for Major Capital Projects (serial C) is referred to as the Programme’s ‘Gross Plan’ estimate and is based on project expenditure expected to occur during the year in accordance with project schedules. The Management Margin (serial D) reflects an estimate of possible overall programme slippage that may occur during the year. This management margin is deducted from the Gross Plan estimate to calculate the estimated Payments Required from Defence for the Approved Programme (serial E). An estimate for projects that are planned for Government Consideration and Transfer to the DMO during 2014-15 (serial F) is then added to obtain the Total Estimated Funds Available for the Major Capital Investment Programme.

The management margin is applied because of the inherent uncertainty in a programme with a large number of complex and long lead time projects. Unknown project events will occur which will impact on funding requirements. These events include cost savings and better payment terms, variations to project schedules, withholding of planned payments due to contractor non-performance, and variations to payments required under the United States Government’s Foreign Military Sales Program. The DMO estimates and applies a slippage model to determine the appropriate management margin and annual cash requirement for the programme.

The slippage model is predicated upon the assumption that for each year, a certain percentage of project Gross Plan estimates will slip or be accelerated. The percentages applied vary with the composition of the programme, the estimates update being conducted and the probability assessments of expenditure plan achievement provided by projects.

TOP 30 MAJOR PROJECT DESCRIPTIONS

General Manager Joint, Systems and Air

Aerospace Systems

Growler Airborne Electronic Attack Capability - AIR 5349 Phase 3

Prime Contractor: The United States Naval Air Systems Command through a number of Foreign Military Sales cases. The Hornet Industry Team consisting of Boeing, Northrop Grumman, Raytheon and General Electric are the Navy's primary contractors.

This project will deliver an Airborne Electronic Attack Capability based on the EA-18G Growler platform, including the ALQ-99 Tactical Jamming System, anti-radiation captive training missiles, additional air-to-air missiles, simulators and other training devices. Aircrew and maintenance training will also be delivered.

During 2014-15, all 12 aircraft will be in production with the first two scheduled for completion at Boeing in the third quarter 2015. Aircrew training in the United States will also be well underway, as will key software development and test activity. ALQ-99 and training missile production will continue through the financial year.

The key risk for this project is software development and test effort which is dependent on availability of a number of aircraft and weapons component test assets for completion.

Maritime Patrol and Response Aircraft System - AIR 7000 Phase 2

Prime Contractor: United States Navy (USN), under a Cooperative Program (USN prime contractor Boeing).

AIR 7000 Phase 2 provides a Maritime Patrol and Response Aircraft capability to replace the AP-3C fleet.

AIR 7000 Phase 2B received Government approval in February 2014 to acquire eight P-8A Increment 2 Poseidon Aircraft and support elements through a Cooperative Program with the United States Navy. This phase will also deliver facilities at Edinburgh, South Australia, Townsville, Queensland, Pearce, Western Australia and Darwin.

During 2014-15, the DMO will authorise the USN, through the Cooperative Program, to exercise Australian aircraft production options to support Boeing P-8A production. The project will also release a Procurement Request for the Mission Support System and further support elements.

Under the Cooperative Program, Australia has entered into a Project Arrangement with the USN to participate in the development of the P-8A Increment 3 upgrade.

Battlefield Airlift – Caribou Replacement – AIR 8000 Phase 2

Prime Contractor: L-3 Communications through the United States (US) Foreign Military Sales (FMS) case process with the United States Air Force (USAF).

This project is acquiring ten C-27J ‘Spartan’ Joint Cargo Aircraft to replace the retired Caribou.

During 2014-15, the first four aircraft and majority of spares and support equipment will be delivered. United States based training will commence fourth quarter 2014 and 35 Squadron Operational Test and Evaluation (OT&E) will commence after the in service date. Initial Operational Capability will be achieved by the end of 2016 and Full Operational Capability by the end of 2017.

The key risks for this project are the completion of necessary Australian airworthiness certification and US FMS Program Office finalisation of training and support contracts to enable commencement of US based training in the fourth quarter 2014. This schedule risk was elevated following the USAF decision to proceed with and accelerate C-27J divestiture.

Air to Air Refuelling Capability - AIR 5402

Prime Contractor: EADS CASA (Trading as Airbus Defence and Space).

This project is delivering five Airbus A330 Multi-Role Tanker Transport (MRTT) aircraft (known as the KC-30A in Air Force service) and the associated through-life support infrastructure for the fleet.

During 2014-15, the project will complete development, certification and qualification testing of the Aerial Refuelling Boom system; complete refurbishment of the prototype aircraft following completion of testing in Spain; and deliver upgrades to the aerial refuelling pods as well as upgrade simulation training devices to maintain alignment with modifications to the aircraft fleet.

The key risk for this project is timely completion of the boom refuelling system test and acceptance program.

This project continues to be managed as a Project of Concern.

Airborne Early Warning and Control Aircraft – AIR 5077 Phase 3

Prime Contractor: Boeing (United States).

This project has delivered six E-7A Wedgetail Airborne Early Warning and Control aircraft and the associated ground and support systems, with Initial Operational Capability declared in November 2012.

During 2014-15, the project will deliver the final remediation software for the radar, mission computing, and communication subsystems, and progress remediation for the electronic support measures subsystem. Residual logistics support elements will also be delivered in this period. The software and logistics will satisfy the DMO’s Final Materiel Release (FMR) obligations.

The key risk for this project is timely completion of the software build that supports the achievement of FMR, and contributes to Air Force’s ability to declare Final Operating Capability.

C-17 Globemaster III - AIR 8000 Phase 3

Prime Contractor: Boeing, through a United States Foreign Military Sales case with the United States Air Force (USAF).

During 2014-15, this project will finalise the delivery and transition of the C-17 Cargo Compartment Trainer and remaining C-17 sustainment support requirements, including spares, role expansion equipment, ground support equipment and materiel handling equipment. Residual project tasks will transition to in-service management towards the end of 2014-15 when planned activities are completed.

Lead-In Fighter Capability Assurance Program - AIR 5438 Phase 1A

Prime Contractor: BAE Systems UK.

This project will deliver an upgraded Lead-In Fighter Training System which includes an upgrade to the fleet of 33 Hawk 127 aircraft, procurement of new full mission simulators and procurement of additional Air Combat Manoeuvring Instrumentation pods.

During 2014-15, this project will modify two Hawk 127 validation and verification aircraft and conduct the first phase of flight testing.

The key risk for this project is the construction schedule of the new facilities for the simulators at both RAAF Base Williamtown, New South Wales and RAAF Base Pearce, Western Australia.

Electronic Systems

Battlefield Command Systems - LAND 75 Phase 4

Prime Contractor: Not in contract.

This project, in close cooperation with LAND 2072 Phase 3, will continue to digitise and enhance the Command, Control and Communications systems for land tactical forces. The project will seek to complete the provisioning of the initial digitised brigade (commenced under LAND 75 Phase 3.4) and introduce equipment into a second brigade plus the supporting elements.

During 2014-15, this project will commence provisioning of vehicle installations based on installation designs delivered under LAND 75 Phase 3.4, and implement first to second pass risk reduction activities that will generate the information required for a future project approval consideration by government.

The key risk for this project is the complex system of systems integration of the Battle Management System into other related systems that are either in development or in use within the ADF.

Battlespace Communications System (LAND) - JP 2072 Phase 3

Prime Contractors: Harris Corp, Raytheon Australia.

The first work package of this project will deliver the radios and ancillaries necessary to complete the installation of a digital communications capability, primarily into the current fleet of Bushmasters. This activity started in JP 2072 Phase 1 and is a joint activity with project LAND 75 Battlefield Management System (BMS). The remaining work packages will specify, identify and commence solicitation for further digital communications capabilities to support the digitisation of Army communications.

During 2014-15, this project will deliver the first of the contracted radios and ancillaries for installation in vehicles. The project will also commence solicitation for other digital communications capabilities.

The key risk for this project is the integration of the new communications capabilities with the BMS and other users of the radios.

Battlespace Communications System (LAND) - JP 2072 Phase 2A

Prime Contractor: Harris Corp.

This project will deliver combat net radios to replace many of the current land based, dismantled radios in use by the ADF. The current dismantled radio fleets are approaching end-of-life and these legacy analogue radios will be replaced by modern digital radios, maximising commonality with the radio fleet procured under the previous JP 2072 Phase 1.

During 2014-15, this project will continue with delivery of the radios as well as other introduction into service activities. This project will also commence management of long term support contracts for the radios and ancillaries.

The key risk for this project is managing the smooth transition into service and support of the new capability.

Anzac Electronic Support System Improvements - SEA 1448 Phase 4A

Prime Contractor: Exelis Inc.

This project will provide the Anzac Class Frigates with an improved tactical Electronic Support (ES) mission system for improved passive situational awareness and early threat warning. The project includes the provision of an ES mission system and emulators for training and a ground based support segment for ES mission system programming.

During 2014-15, this project will complete required system reviews and will deliver and install up to three systems on the Anzac Class Frigates.

The key risk for this project is the integration of the ES mission system into the complex electromagnetic environment of the Anzac Class Frigates.

Battle Management System - LAND 75 Phase 3.4

Prime Contractor: Elbit Systems Limited.

This project will deliver Mounted Battle Management Systems including command post systems to the ADF in cooperation with LAND 125 Phase 3A (dismounted systems) and JP 2072 Phase 1 (Combat Radio System). All of the physical vehicle installations and training have been delivered to Army.

During 2014-15, this project will finalise the engineering design documentation for all vehicle installations and obtain design acceptance from the respective platform design authorities. The project will also finalise the support system in preparation for transition from acquisition to sustainment.

The key risk for this project is coordinating the complex design approval process with the respective platform design authorities, and the system of systems integration of the Battle Management System into the other related systems in use within the ADF.

Joint Command Support Environment - JP 2030 Phase 8

Prime Contractor: System Integrator Contractor: CSC Australia; Development & Support Contractor: Lockheed Martin Australia.

This project will deliver capability solutions and improvements to Situational Awareness, Joint Operations Planning and Management, Preparedness and a Special Operations Combat Net Radio Interface.

During 2014-15, this project will finalise and complete capability deliveries and commence project closure.

The key risks for this project are supporting complex, multi-organisation, specific business processes and practices with information technology solutions and ensuring the delivered solution provides an efficient and effective user interface.

C-130J Large Aircraft Infra Red Countermeasures (LAIRCM) - AIR 5416 Phase 4B2

Prime Contractor: United States (US) Foreign Military Sales (FMS) case with the United States Air Force (USAF).

This project will provide the Air Force C-130J with the LAIRCM system, enhancing the fleet Electronic Warfare Self Protection (EWSP) capabilities. The LAIRCM capability design and hardware, and the modification of the first four aircraft in the US, are being provided via FMS. The remaining eight aircraft will be modified in Australia.

During 2014-15, this project will complete systems engineering design reviews in preparation for the modification program commencing late 2015.

The key risk for this project is schedule compliance, which requires the USAF awarding contracts with prime contractors in second quarter 2014 to maintain the program plan.

Replenish Nulka Warstock - SEA 1397 Phase 5A

Prime Contractor: BAE Systems.

This project will acquire Nulka rounds in order to replenish the Navy Nulka off-board anti-ship missile decoy inventory.

During 2014-15, this project will take final delivery of rounds ordered under Batch 3 and initial delivery of rounds ordered under Batch 4.

The key risk for this project is that US Sequestration may reduce the number of rounds procured by the United States Navy which could impact the number of rounds procured for the Navy.

High Frequency Modernisation - JP 2043 Phase 3A

Prime Contractor: Boeing Defence Australia.

This project has delivered a Defence High Frequency (HF) Communications System for Defence long-range communications. The Fixed Network component comprises four HF stations in the Riverina, Victoria: Townsville, Queensland: Darwin and North West Cape, Western Australia areas, together with primary and backup Network Management Facilities in Canberra. The Fixed Network capability has been provided in two major stages, Core and Final. The Core System replaced the prior Navy and Air Force HF systems from November 2004 with the Final System taking over support to ADF operations in October 2009.

During 2014-15, procurement of the Null Steering & Signal Enhancement (Nullarbor) capability will continue as programmed along with work to address obsolescence issues resulting from delays to delivery of the Final System.

The key risk for this project is contract signature for the Nullarbor has been delayed and is now scheduled to occur in early 2014.

Helicopter Systems

Future Naval Aviation Combat System Helicopter - AIR 9000 Phase 8

Prime Contractor: Sikorsky and Lockheed Martin through United States Foreign Military Sale cases from United States Navy.

The 24 MH-60R Seahawk 'Romeo' helicopters to be acquired by AIR 9000 Phase 8 will replace the current fleet of 16 S-70B-2 Seahawk 'Classic' helicopters.

The acquisition of the Romeos will enable Navy to provide eight helicopters concurrently embarked in Anzac Class Frigates and the new Hobart Class Destroyers. The remainder will be based at HMAS Albatross, New South Wales, conducting training and maintenance.

During 2014-15, the Navy's 725 Squadron will complete their initial training and consolidation on the Romeo and return from the United States (US) to Australia. This will include repatriating five Romeo helicopters, 80 Defence personnel and their families, and over 200 tonnes of equipment and spares. By the end of 2014-15, a total of seven Romeos, the first simulator and the initial tranche of guided weapons will be delivered; Romeo training will commence in Australia; and the first helicopter will embark for ship trials.

The key risk for this project remains coordinating the facilities construction schedule with the delivery of key support elements, such as the flight simulator, ahead of the aircraft and trained personnel returning from the US at the end of 2014.

Multi Role Helicopter - AIR 9000 Phase 2

Prime Contractor: Australian Aerospace.

The project is acquiring a total of 47 Multi Role Helicopters (MRH90) for the Army and the Navy: Phase 2 acquires 12 Army MRH90 for an additional air mobile squadron; Phase 4 replaces Army's Black Hawks; Phase 6 replaces the Navy Sea Kings.

During 2014-15, the project plans to: accept a further five aircraft in the mature configuration; continue upgrading early configuration aircraft to the latest production standard; and accept the second full-flight and mission simulator. The project is also supporting activities required to achieve the Initial Operational Capability milestone for Army and the Final Operational Capability milestone for the Navy.

The key risk for this project is the timely resolution of outstanding technical and supportability issues in order to generate the necessary flying hours to meet the Navy and the Army capability development requirements.

Medium Lift Helicopter (Additional Chinook Helicopter Project) - AIR 9000 Phase 5C

Prime Contractor: United States (US) Foreign Military Sale case through the US Army.

The project is acquiring seven CH-47F Chinook helicopters to replace the current Army fleet of six CH-47D Chinook helicopters.

CH-47F Chinook will enable the Army to continue to provide medium-lift battlefield support. The new helicopters will be fitted with a rotor brake to allow embarked operations from the new Canberra Class Landing Helicopter Dock ships. The helicopters will be based at the 5th Aviation Regiment, RAAF Base Townsville, Queensland.

During 2014-15, this project will deliver major systems including: the first four aircraft; the second of two Transportable Flight Proficiency Simulators; and mission and support equipment. The key activities being undertaken are Australian certification and qualification in support of: the helicopter and simulators; initial aircrew and maintainer training; and planning activities for transition into service.

The key risk for this project is coordinating the US Army aircraft certification and training activities to ensure that the main transition training activity is achieved to schedule.

Joint Strike Fighter

Joint Strike Fighter Aircraft - AIR 6000 Phase 2A/B

Prime Contractor: Lockheed Martin is contracted to the United States Government for the development and production of the F-35 Joint Strike Fighter (JSF). Australia is procuring the aircraft through a government-to-government agreement.

This project is approved to acquire 72 JSF aircraft and supporting elements to form three operational squadrons and one training squadron. This comprises 14 aircraft approved in 2009 and 58 approved in April 2014. The funding for the recently approved 58 aircraft and associated elements will be transferred to the DMO post the 2014-15 budget.

During 2014-15 production of Australia's first two JSF Aircraft will be completed at the Lockheed Martin facility in Fort Worth Texas. The aircraft will then be ferried to the International Pilot Training Centre at Luke Air Force Base, Arizona to support the commencement of Australian pilot training.

Some of the major risks for the project include the establishment of an electronic warfare reprogramming capability and the stand up of sustainment systems and facilities required to support Australian operations.

General Manager Land and Maritime

Guided Weapons Branch

Bridging Air Combat Capability - AIR 5349 Phase 2

Prime Contractor: Raytheon through United States Foreign Military Sales cases.

This project will introduce into service a number of new weapons and countermeasures under the Australian Super Hornet Program. These weapons will significantly enhance the Air Force's ability to conduct air, land and maritime strike operations.

During 2014-15, the United States Navy (USN) will continue integration testing of the latest variant Joint Stand Off Weapon (JSOW C-1) and Advanced Medium Range Air to Air Missile (AMRAAM) on the Super Hornet. Initial deliveries of latest variant AMRAAM are scheduled for 2014-15. This project continues to work with the United States Air Force (USAF) to manage the AMRAAM production schedule. All other weapons and countermeasures in the approved project scope have been delivered.

The key risk for this project is schedule. Both the USAF and USN are under budgetary pressure and have identified early indications of schedule slip in their domestic programs and production contracts.

Air Warfare Destroyer

Air Warfare Destroyer - SEA 4000 Phase 3

Prime Contractor: The AWD Alliance.

The Air Warfare Destroyer (AWD) program will deliver three Hobart Class AWDs and support system to the Navy under an alliance-based contracting arrangement between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Government, represented by the DMO.

During 2014-15, this project will achieve a number of key milestones, including the launch of Ship 01, Hobart, and the keel-laying for Ship 03, Brisbane. The AWD Alliance will continue integrating combat system equipment into Hobart, leading to combat system light off, and blocks will continue to arrive in Adelaide for Ship 02 and Ship 03. Crew training for the combat system and platform system will continue.

There is likely to be a significant cost over-run in the shipbuilding element of the project which will affect the project's budget in future years. The over-run, which was reported in the recently released ANAO report into the project, is being further investigated by an Independent Review led by Professor Don Winter and Dr John White. They will report on their findings and recommendations for remediation of the program by mid 2014.

The key challenges for this project are to increase shipbuilder productivity and ensure the most efficient use of current resources.

Land Systems

Field Vehicles and Trailers - Overlander Program - LAND 121 Phase 3A/5A

Prime Contractor: Light/Lightweight Vehicle: Mercedes-Benz Australia-Pacific, Light/Lightweight Trailer: Haulmark Trailers Australia.

This project will deliver approximately 2,150 G-Wagons, 540 modules and 1,800 trailers to provide tactical mobility for ADF training and provide the flexibility to undertake a wide range of tasks in difficult off-road conditions. The project is currently in the Initial Materiel Release phase of delivering to units.

During 2014-15, this project will continue to deliver vehicles and trailers to units and further refine the through-life support system. Training for vehicle operators and maintainers will be completed.

The key risk for this project is the timely finalisation of the Command Post Mobile variant requirements, together with the complexity of the associated integration work.

Overlander-Medium/Heavy Capability, Field Vehicles, Modules and Trailers - LAND 121 Phase 3B

Prime Contractor: Medium/Heavy Vehicle Capability: Rheinmetall MAN Military Vehicles Australia; Medium/Heavy Trailer Capability: Haulmark Trailers Australia; Additional Bushmaster vehicles: Thales Australia; Additional G Wagons: Mercedes Benz Australia.

This project will deliver approximately 2700 medium and heavy vehicles in an array of variants, including recovery trucks, integrated load handling systems and flatbeds, in both protected and unprotected configurations. To complement the acquisition, approximately 3,800 modules and flatbeds will be supplied and approximately 1,700 trailers will also be acquired to enhance the payload carrying capacity.

During 2014-15, this project will be reviewing contractor plans and designs and conducting prototype testing.

The key risk for the project is the slow progress of the prime contractor for the medium and heavy vehicles in finalising sub-contracts.

Bushmaster Infantry Mobility Vehicles - LAND 116 Phase 3

Prime Contractor: Thales Australia.

This project will deliver approximately 1050 vehicles, across its five production periods, in seven variants. The vehicles provide protected land mobility to Army combat units and Air Force Airfield Defence Guards. The delivery of Production Period 5 vehicles commenced in July 2013 and will conclude in mid 2016.

During 2014-15, this project will deliver a further 66 of the 214 Production Period 5 vehicles and will commence installation of External Composite Armour mounting points to previously manufactured vehicles.

The key risk for this project is the availability and coordination of vehicles from Army units, which are using vehicles for training, to feed the production line to install the External Composite Armour mounting points.

Maritime Systems

Amphibious Deployment and Sustainment - JP 2048 Phase 4A

Prime Contractor: BAE Systems Australia Defence.

This project is scheduled to deliver two Canberra Class Landing Heavy Dock (LHD) vessels and associated LHD support system comprising configuration information training, spares, documentation, and test equipment.

During 2014-15, this project will experience a delay in planned work finalisation as a result of industry workforce capacity and capability, and is expected to deliver LHD01 (Canberra) to the Navy in the second half of 2014. Consolidation and fit out of the superstructure and hull of LHD02 (Adelaide) will continue to the original plan at the Williamstown shipyard, Victoria.

The key risks for this project are associated with the complex system integration and the availability of appropriately qualified staff.

Anzac Ship Anti-Ship Missile Defence - SEA 1448 Phase 2B

Prime Contractor: CEA Technologies Proprietary Limited and the Anzac Ship Integrated Materiel Support Program Alliance (Commonwealth of Australia (Defence) with BAE and Saab).

This project will deliver a phased array radar system to the Anzac Class Frigates for target indication/tracking, mid-course guidance and target illumination for the Evolved Sea Sparrow Missile, and a new dual navigation radar system to replace the existing navigation radar suite.

During 2014-15, this project will continue with the Anti Ship Missile Defence (ASMD) Follow-On Ship upgrade work on HMA Ships *Anzac*, *Warramunga*, *Parramatta*, *Ballarat* and *Toowoomba*.

The key risk for this project, in conjunction with Phase 2A, is the supply and efficient management of shipyard resources required to maintain schedule with three ships in the ASMD upgrade Program at any one time.

Amphibious Watercraft Replacement - JP 2048 Phase 3

Prime Contractor: Navantia.

This project will deliver 12 new watercraft to operate with the two Canberra Class Landing Helicopter Dock (LHD) ships. The watercraft will provide an organic ship-to-shore connection in support of Defence's amphibious capability, operating with the LHD ships to enable transport of personnel and equipment between the LHD ships and the shore, including where there are no fixed port or prepared landing facilities.

During 2014-15, this project will deliver the first batch of four landing craft to the Royal Australian Navy in mid 2014 and the second batch of four landing craft is planned to arrive in Australia in early 2015.

The key risk for this project is Integrated Logistics System products not being in place by the delivery of the first batch of four landing craft.

Anzac Ship Anti-Ship Missile Defence - SEA 1448 Phase 2A

Prime Contractor: The contract management is under the Anzac Ship Integrated Materiel Support Program Alliance (Commonwealth of Australia (Defence) with BAE and Saab). Defence is contracted with CEA Technologies for radar equipment design, development and production.

This project will upgrade the Combat Management System and introduce an Infrared Search and Track System to the Anzac Class Frigates.

During 2014-15, this project will continue with the Anti Ship Missile Defence (ASMD) Follow-On Ship upgrade work on HMA Ships *Anzac*, *Warramunga*, *Parramatta*, *Ballarat* and *Toowoomba*.

The key risk for this project, in conjunction with SEA 1448 Phase 2B, is the supply and efficient management of shipyard resources required to maintain schedule with three ships in the ASMD upgrade program at any one time.

General Manager Submarines

Future Submarines

Future Submarine - Acquisition - SEA 1000 Phase 1A

Prime Contractor: Not in contract.

This project will deliver Australia's future submarine capability.

During 2014-15, the strategic direction of this project will be reviewed by Government as part of the White Paper process. To assist this review and maintain schedule, work will continue on Option 3 (Evolved Collins Class) and Option 4 (New Design). Consultations with industry will also commence to progress planning for the delivery of the Future Submarine, which is being scheduled to avoid a capability gap as the Collins Class is progressively withdrawn from service. The project will refine proposed arrangements to ensure the roles and functions of the Commonwealth can be fulfilled over the full course of the SEA 1000 Program.

The key risk for this project remains the mobilisation of resources across Government, industry and academia necessary to manage the Future Submarine Program with appropriate international support, informed by our experience and knowledge of similar programs.

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

Table 86 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 86: 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	Estimated cumulative expenditure to 30 June 2014 \$m	Budget estimate 2014-15 \$m	Status Report	
General Manager Joint, Systems and Air						
Aerospace Systems						
Bridging Air Combat Capability	AIR 5349 Phase 1	2012-13	3,307	2,737	15	Residual acquisition activities continue under Phase 1, consisting of the completion of infrastructure tasks (minor works), procurement of support and test equipment and procurement of Super Hornet Spares under Foreign Military Sales cases with the US Navy.
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	105	13	A revised schedule has been maintained since March 2013, including achievement of Design Acceptance and In-Service Date in February 2014. The project has completed modification and testing of the second aircraft and supporting ground systems (Software Support Facility, Operational Mission Simulator, and Part Task Trainers). During 2014-15, all remaining deliverables will be provided to the Commonwealth by the prime contractor, BAE Systems Australia, and a further four aircraft will be upgraded supporting declaration of Initial Operational Capability in mid 2015.
Additional C-17A Globemaster III	AIR 8000 Phase 4	2012-13	559	437	9	The project has procured spares and support equipment for the additional two C-17 Globemaster III aircraft delivered under the project, which were Australia's fifth and sixth. The project will continue to progress the delivery of remaining spares and support equipment, and transition these activities to the sustainment organisations.

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014 \$m	Budget estimate 2014-15 \$m	Status Report
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011-12	1,881	1,647	8	The Electronic Warfare Self Protection Suite upgrade phase of this project is anticipated to achieve Final Operational Capability in 2014. The final activity for this project is an improvement program for the Hornet simulator, scheduled for installation and testing in 2015.
Airborne Surveillance for Land Operations	JP 129 Phase 2	2012-13	96	72	7	Additional equipment deliveries, including six attrition air vehicles, are scheduled to occur during 2014-15. Final Materiel Release and Final Operational Capability are planned for May and August 2014 respectively.
AP-3C Capability Assurance Programme	AIR 5276 CAPI	2009-10	88	71	1	The project has successfully upgraded a total of 15 AP-3C Orion aircraft and all associated ground systems and simulators. During 2014-15, the project will upgrade the last two AP-3C aircraft with the Capability Assurance Program 1 system. This represents the final deliverables of the project, supporting project closure mid to late 2015.
Electronic Systems						
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	259	223	18	Final order for minor components and spares has been placed, to be delivered in mid 2014. Work on documentation required for approval of Final Operational Capability is currently in progress. Planning and activities for Project Closure have commenced. Closure is expected mid 2015 due to linkages with delivery of capability under LAND 75 Phase 3.4 Battlefield Management System.
Ultra High Frequency (UHF) Satellite Communications System	JP 2008 Phase 5A	2012-13	437	337	11	This project has delivered UHF Satellite capability to the ADF. The associated network management system has experienced delays associated with deficiencies experienced during testing. System Acceptance remains on schedule during 2014-15.

Defence Portfolio Budget Statements 2014-15

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014	Budget estimate 2014-15	Status Report
				\$m	\$m	
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	104	79	8	<p>The majority of the hardware and software for the Initial Common Support Infrastructure has been delivered. The Project is on track to deliver two deployable Tactical Data Link (TDL) management systems and a transmission site.</p> <p>The Anzac Multi Link Upgrade will complete TDL standards compliance testing for Link 11, Link 16 and Variable Message Format and remediate critical defects. Initial Materiel Certification and Initial Operational Release is planned to occur in 2014-15.</p>
Next Generation Satellite Communications (SATCOM) System	JP 2008 Phase 4	2013-14	869	582	3	<p>This project will deliver the next generation ADF wideband satellite communication system. The project has delivered the Wideband Global SATCOM System (WGS) Initial Operational Capability through the utilisation of the Interim Anchoring capability located at HMAS Harman, Australian Capital Territory and Geraldton, Western Australia. The six satellites have all launched successfully.</p> <p>During 2014-15, period the project will be managing the upgrade of US supplied satellite control equipment in HMAS Harman and Geraldton.</p>
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	107	92	..	<p>This project has delivered Dismounted Battle Management Systems including a command post system to the ADF in cooperation with LAND 75 Phase 3.4 and JP 2072 Phase 1.</p> <p>All systems are in the process of being accepted and introduced into service. The focus for 2014-15 is on project closure activities.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014	Budget estimate 2014-15	Status Report	
				\$m	\$m		
	Military Satellite Capability (SATCOM) – Wideband Terrestrial Terminals	JP 2008 Phase 3H	2013-14	45	39	..	<p>The project has commenced the rollout of the first 20 terminals consisting of the Initial Materiel Release deliverables. The Final Materiel Release terminals and spares are schedule for delivery in May 2014. The training package is being reviewed for endorsement by the Capability Manager following the pilot course that was conducted in February 2014.</p> <p>The satellite terminals will allow early use of the Wideband Global SATCOM (WGS) system by introducing medium sized WGS certified terminals to the ADF land forces.</p> <p>During 2014-15, this project will be finalising the acquisition contract and will deliver the initial wideband satellite terminals to the ADF as well as establishing the support and training systems.</p>
Joint Strike Fighter							
	Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	Project has been completed.
Helicopter Systems							
	Armed Reconnaissance Helicopter	AIR 87 Phase 2	2012-13	2,033	1,864	4	Final Materiel Release was declared in late 2013. During 2014-15, project closure administrative activities will be completed.

Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014 \$m	Budget estimate 2014-15 \$m	Status Report	
General Manager Land and Maritime						
Guided Weapons						
Standard Missile-2 Conversion and Upgrade	SEA 4000 Phase 3.2	2013-14	104	56	25	<p>This project will convert and upgrade the ADF's inventory of Standard Missile-2 (SM-2) Block IIIA missiles to a vertical launch variant for use in the Hobart Class Air Warfare Destroyer, with a proportion to be upgraded to the Block IIIB variant. This project will also upgrade the SM-2 Intermediate Level Maintenance Facility (ILMF), to enable recertification and maintenance of the SM-2 Block IIIB capability.</p> <p>During 2014-15, this project will complete the upgrade of the SM-2 ILMF, take delivery SM-2 Block IIIB modification kits, ordnance handling equipment and SM-2 missile upgrade components, and commence testing of new configuration SM-2 weapons.</p> <p>The key risk for this project is ensuring, via the United States Foreign Military Sales Case Manager, that the Raytheon contract for the upgrade of SM-2 Block IIIA guidance sections to the Block IIIB configuration is issued by no later than June 2014. Failure or delay in this respect will result in considerable schedule slippage for the project.</p>
Lightweight Torpedo Replacement	JP 2070 Phase 2	2013-14	342	300	12	<p>Chief of Navy declared Final Operational Capability for the MU90 lightweight torpedo system in September 2013. Work to finalise project deliverables is ongoing. Project closure cannot be finalised until the In-Service Support contracts expire in 2016-17.</p>
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	303	275	2	<p>Chief of Navy declared Final Operational Capability for the MU90 lightweight torpedo system in September 2013. Work to finalise project deliverables and to progress project closure is ongoing.</p>
Evolved Sea Sparrow Missiles (ESSM)	SEA 1428 Phase 4	2009-10	88	85	..	<p>Remaining deliveries of Evolved Sea Sparrow Missiles (ESSM) remain on track. Final Materiel Release is scheduled to occur in the first quarter 2015.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014	Budget estimate 2014-15	Status Report	
				\$m	\$m		
	Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	317	284	-	Joint Air-to-Surface Stand Off Missile (JASSM) deliveries were completed in April 2013 and the project achieved Final Materiel Release in September 2013. Final Operational Capability was declared by Chief of Air Force in January 2014. The delivery of a mission planning system software component planned for June 2015 and project closure is planned for the third quarter of 2015.
Munitions Branch							
	Mulwala Redevelopment Project	JP 2086 Phase 1	2013-14	370	344	22	<p>This project will deliver a modernised propellant manufacturing facility at the Commonwealth owned Mulwala Munitions Factory, to replace the existing, but now obsolete, plant that dates back to the 1940s. The modernised facility will meet more stringent and contemporary environmental, work, health and safety standards. The factory manufactures propellants for incorporation into ADF munitions, and is operated by Thales Australia Limited on behalf of the Commonwealth.</p> <p>During 2014-15, this project will progress the commissioning of the new plant and facilities by producing and then qualifying, five types of propellant. Once all five propellants have been qualified, the modernised factory will be presented to the Commonwealth for Final Acceptance, which is currently scheduled for February 2015.</p> <p>The key risk for this project is unrealised technical risk that might delay the scheduled completion date and place some pressure on the adequacy of the project budget. This risk is being mitigated by obtaining appropriate technical expertise, and engaging closely with key internal and external project stakeholders.</p> <p>This project is being managed as a Project of Concern.</p>

Defence Portfolio Budget Statements 2014-15

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014 \$m	Budget estimate 2014-15 \$m	Status Report
Land Systems						
Digital Terminal Control System	LAND 17 Phase 1B	2013-14	122	77	15	<p>This project will deliver approximately 150 digital terminal control systems. This capability allows artillery forward observers and joint terminal attack controllers to identify targets with greater accuracy through the use of precision targeting software. It also provides the means to digitally request fire support from land, sea or airborne weapon systems.</p> <p>During 2014-15, this project will deliver the next version of control terminal software and upgrade the previously delivered systems to the final configuration baseline.</p>
Artillery Replacement 155MM Howitzer	LAND 17 Phase 1A	2013-14	336	157	12	<p>This project has completed delivery of the towed howitzers and the battle management system. The course correcting fuze element will be delivered from 2015.</p> <p>The delivery of the fuze is to be transferred to an approved and later phase of LAND 17 and the project is scheduled to close by the commencement of 2014-15.</p>
Additional Lightweight Towed Howitzers	LAND 17 Phase 1C1	2013-14	77	53	12	<p>This project will take delivery of 19 additional Lightweight Towed Howitzers and progress the Capability Assurance Program for Government consideration in 2014.</p> <p>The delivery of howitzers to Australia is on schedule to meet the Materiel Release milestone in early 2014-15. These howitzers have been completed on the production line and there are no significant risks to this delivery.</p>
Counter - Rocket, Artillery and Mortar (C-RAM)	LAND 19 Phase 7A	2012-13	260	176	3	<p>During 2014-15, this project will continue to sustain the acquired counter-rocket, artillery and mortar systems within the current project budget. The project will also finalise the evaluation of tendered offers for the ongoing sustainment of the capability.</p>

	Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014	Budget estimate 2014-15	Status Report
				\$m	\$m	
Australian Protected Route Clearance Capability (APRCC)	JP 154 Phase 3A	2012-13	74	35	3	<p>The project has delivered the Protected Route Clearance engineering equipment platforms to support operations. The capability is now to be brought fully into service to support Australian-based training.</p> <p>The project will complete Communications and Battle Management System integration onto the major platforms and finalise Australian-based support requirements in 2014-15.</p>
Upgrade of M-113 Armoured Vehicles	LAND 106	2012-13	885	792	..	<p>This project has delivered 431 M-113 AS4 vehicles in seven variants, Appliqué Armour and Integrated Logistic Support. Final air and sea transportation certification is scheduled to be completed and the project is scheduled to close by the commencement of 2014-15.</p>
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	39	..	<p>The introduction of the M3 Carl Gustaf and its sights into service is complete and the capability has been accepted by the Army. The Light Weight Automatic Grenade Launcher (LWAGL) continues to be managed as a Project of Concern and the acquisition approach is under review.</p>
Maritime Systems						
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,453	1,371	18	<p>The Adelaide Class Frigates have achieved Navy Operational Release except for the Underwater Warfare System component. A Navy directed solution will enable achievement of full Operational Release.</p> <p>During 2014-15, the focus will be on procurement and installation of additional sonar processors and displays. Project closure is planned in 2015-16.</p>
SM-1 Missile Replacement	SEA 1390 Phase 4B	2013-14	407	334	14	<p>The ship system capability achieved Operational Release from the Navy in July 2013.</p> <p>During 2014-15, the initial three years support for the Ship SM-2 Weapon System is being established through US Foreign Military Sales and direct commercial arrangements which complement existing support arrangements. The subsequent formal project closure process will commence.</p>

Defence Portfolio Budget Statements 2014-15

Project number/ phase	Last financial year reported in Top 30	Approved project expenditure	Estimated cumulative expenditure to 30 June 2014 \$m	Budget estimate 2014-15 \$m	Status Report
General Manager Submarines					
Collins					
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	427	302	8 Replacement Heavyweight Torpedo System installations continue. However, as each installation is dependent on the Full Cycle Docking Program, completion dates may vary according to changes in the submarine Integrated Master Schedule. The final installation will be in HMAS <i>Collins</i> during her next full cycle docking.

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

Table 87 lists Top 10 Minor Projects by forecast expenditure for 2014-15. The descriptions that follow provide details of the capability being acquired including delivery schedules, project risk and strategies employed by the project office to manage this risk.

Table 87: Top 10 Approved Minor 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
Navy				
Typhoon Training System for the DDG and LHD at West Head Gunnery Range (WHGR)	NMP1928	3	1	2
Digital Voice Recording System Equipment	NMP1822	16	10	2
Naval Aviation Night Vision Capability - FFG	NMP1846	4	2	1
Navy Minor Projects Business Process - Project Development Funding	NMB8000	2	..	1
Army				
Enhanced Land Force Weapons Training Simulation System	AMP029.44	35	19	5
Kiowa Pilot Seating	AMP015.58	7	3	2
Line Laying Capability (LLC)	AMP031.09	3	2	1
Air Force				
Deployable Tactical Air Control and Navigation	AFM01006	6	..	3
Multi-Band, Multi-Mode Radio Capability	AFM00975	5	2	3
Traffic Alert and Collision Avoidance System (TCAS)	AFM01001	25	21	2
Total - Top 10 Minor Projects		107	60	21

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 88: Minor Capital Investment Programme by 2014-15 Forecast Expenditure

	2014-15 Budget Estimate \$m
A Top 10 Projects Gross Plans	21
B Other Approved Project Gross Plans	2
C Total Gross Plan Project Estimates (A+B)	23
D Management Margin: Slippage	..
E Payments Required from Defence for Approved Programmes (C+D)	23
F Projects Planned for Government Consideration and Transfer to the DMO	113
Total Estimated Funds Available (E+F)	136

Top 10 Minor Project Descriptions

Navy

Typhoon Training System - NMP1928

Prime Contractor: Raytheon Australia.

This project will deliver a Typhoon Weapon Mark 25 Modification 2 System and associated training consoles at West Head Gunnery Range at Flinders, Victoria. The system will support training for the Navy gunnery system being installed on the Landing Helicopter Dock and Air Warfare Destroyer ships.

During 2014-15, the project will deliver and install all prime equipment and associated spares at the West Head Gunnery Range.

Digital Voice Recording Equipment - NMP1822

Prime Contractor: Sonartech Atlas and BAE Systems.

This project will design a digital voice recording system for installation in a number of ships and training facilities. The scope was reduced in August 2013 due to the withdrawal from service of the Balikpapan class of landing craft. The system will provide for the capture of critical operational, damage control and safety voice communications that are reproduced for analysis of critical event reconstruction.

During 2014-15, the project will complete procurement of the remaining equipment; the installation in eight minor war vessels, and production of the Equipment Handbook under the Sonartech Atlas contract. Design and installation in the first Anzac Class Frigate and Anzac Ship Support Centre platform will commence under the contract with BAE Systems.

Naval Aviation Vision Capability - NMP1846

Prime Contractor: BAE Systems Australia.

This project will deliver modifications to the existing lighting system on three Adelaide Class ships to make them compatible with current night vision goggles. This modification will allow helicopter pilots using night vision goggles to land on the ship, without interference from the ship's lights.

During 2014-15, the project will complete modification of three Adelaide Class ships to be compatible with current night vision goggles.

Navy Minor Business Process - Project Development Funding - NMB8000

Prime Contractor: Multiple contractors will be engaged.

This business process will deliver services to develop unapproved project capability documentation which is required to achieve project approval.

During 2014-15, the project will engage contractors to manage and develop new project proposals; conduct design and integration studies; conduct tender evaluation equipment testing and determine the schedule and price for the implementation of proposed new projects.

Army

Enhanced Land Force (ELF) Weapons Training Simulation System Fit out - AMP029.44

Prime Contractor: Meggitt Training Systems Australia.

This project will deliver new simulated weapon types and ammunition natures into service as part of the final capability delivery phase.

During 2014-15, the project will deliver new simulation capability for the 12.7mm Heavy Machine Gun and simulations of a greater range of ammunition natures for the Carl Gustav 84mm Medium Direct Fire Support Weapon.

Kiowa Pilot Seating – AMP015.58

Prime Contractor: Sikorsky Aircraft Australia Limited (Sikorsky Helitech).

This project integrates commercial-off-the-shelf pilot seats into 24 Kiowa helicopters. The project is intended to address the restrictions imposed by the current pilot seated height limits, and also incorporates design features which enhance the level of crash protection for aircrew.

During 2014-15, fleet installation will continue, with the majority of the fleet expected to be modified by mid 2015.

Line Laying Capability (LLC) - AMP031.09

Prime Contractor: Integrated Design & Engineering Solutions (IDES).

The LLC will provide vehicle-deployed line laying and recovery capability to the Army. The LLC will consist of a G-Wagon Dual Cab Chassis 6x6 provided by LAND 121 Phase 3A with a Line (communication cable) Laying Module mounted on the chassis.

Standard cable reels will be used, and space for storage of cable reels will be provided on the Line Laying Module.

The LLC will be air, sea, rail and road transportable. The Line Laying Module will provide operator protection from roll-over and allow assisted deployment and recovery of cables.

AMP031.09 will provide two Line Laying Modules to validate the capability with a contracted option of additional modules that may be exercised by LAND 121 Phase 3A/5A.

The LLC will be delivered in September 2014, with project closure in 2015.

Air Force

Deployable Tactical Air Control and Navigation - AFM01006

Prime Contractor: Not in contract.

This project will deliver deployable Tactical Air Control and Navigation (TACAN) systems, spares, support and test equipment, publications and training to replace Air Force's current fleet of portable TACAN systems.

During 2014-15, the project will award a contract for the acquisition and support of the deployable TACAN systems. Following contract award, the project will begin the design review process with industry leading to initial system production.

Multi-Band, Multi-Mode Radio Capability - AFM00975

Prime Contractor: Not in contract.

This project will deliver an expanded tactical satellite communication capability to the Air Force to meet the increased communication needs of current and future platforms.

During 2014-15, the project will deliver 31 Single Radio Integrated Base-station Systems (SRIBS).

Traffic Alert & Collision Avoidance System (TCAS) - AFM01001

Prime Contractor: P3 Accord – an alliance between the DMO, BAE Systems Australia and Australian Aerospace.

This project will integrate a Traffic Collision Avoidance System onto the AP-3C fleet and Advanced Flight Simulator to address safety-of-flight issues.

During 2014-15, the project will upgrade the last five AP-3C aircraft with the Traffic Collision Avoidance System. This represents the final deliverables of the project, supporting project closure in mid to late 2015.

Programme 1.2: Management of Capability Sustainment

Programme 1.2 Objective

Defence capabilities will be sustained to meet operational requirements as identified in the specific Materiel Sustainment Agreement.

Sustainment involves the provision of in-service support for specialist military equipment, including platforms, fleets and systems operated by Defence. Typical services include repair and maintenance, engineering, supply, configuration management and disposal action. It includes the maintenance of equipment and purchasing of inventory, such as explosive ordnance, fuel, stores and spare parts.

Programme 1.2 Expenses

The cost of Programme 1.2 provides for estimated expenditure on maintenance and inventory purchases and the DMO's costs in delivering sustainment services, including support to ADF Operations.

Planned resource use for Programme 1.2 is \$6,166.0m in 2014-15 which represents approximately 49 per cent of the DMO's total expenses.

The planned resource use for Programme 1.2 includes:

- the cost of contracted sustainment services to Defence of \$5,378.9m
- support for current ADF operations of \$139.4m
- direct appropriation of \$501.8m relating to Sustainment Workforce and Operating Expenses
- Net Operating Costs of \$130.7m in support of new capabilities expected to enter service
- resources received free of charge from Defence of \$15.3m.

Table 89: Programme 1.2 Management of Capability Sustainment

	2013-14 Estimated Actual \$'000	2014-15 Budget \$'000	2015-16 Forward estimate \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000
Special Account Expenses:					
Defence Materiel Special Account	5,067,723	5,648,945	5,977,147	6,254,682	6,563,361
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	508,048	501,756	515,595	526,083	527,789
Expenses not requiring appropriation in the Budget year ¹	14,887	15,259	15,640	16,031	16,432
Total Programme Expenses	5,590,658	6,165,960	6,508,382	6,796,796	7,107,582

Note

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

Programme 1.2 Deliverables

Key deliverables are specified under each Materiel Sustainment Agreement (MSA), and the top 30 sustainment products are discussed under the product headings in the following text. There are currently seven MSAs incorporating 116 product schedules.

Programme 1.2 Key Performance Indicators

The indicators vary with each sustainment product and are specified in the MSAs.

Top 30 Sustainment Products by 2014-15 Forecast Expenditure

Table 90: Top 30 Sustainment Products by End of Financial Year Outcome 2014-15

	Budget Estimate 2014-15 \$m
General Manager Joint, Systems and Air	
Aerospace Systems	
F/A-18A Hornet Weapons System	204
Airborne Early Warning and Control	185
F/A-18F Block II Super Hornet Weapons System	162
P-3C/AP-3C Orion Weapons System	125
C-130J-30 Weapons System	98
Lead-in Fighter Hawk 127 Weapons System	91
KC-30A Weapon System	63
C-17 Heavy Air Lift Weapons System	61
Special Purpose Aircraft Weapon System	48
Electronic Systems	
Wide Area Surveillance Capability	98
Command and Intelligence Systems	52
Tactical Electronic Warfare Fleet	52
Battlespace Communication Systems	46
Helicopter Systems	
Multi Role Helicopter - MRH90	157
Armed Reconnaissance Helicopter Weapons System	114
S70A-9 Black Hawk Weapons System	71
MH-60R Seahawk Romeo Helicopter	62
S70B-2 Seahawk Weapons System	56
General Manager Land and Maritime	
Guided Weapons Branch	
Guided Weapons - Navy, Army, Air Force	146
Munitions Branch	
Munitions - Navy, Army, Air Force	362
Land Systems	
Australian Defence Organisation Commercial Vehicles Fleet	71
General Service B Vehicle Fleet	56
ADF Clothing	50
Maritime Systems	
Fuels and Lubricants - Navy, Army, Air Force	576
Anzac Class Frigate	280
Adelaide Class Frigate	125
Canberra Class Landing Helicopter Dock (LHD)	71
Mine Hunter Coastal	65
Auxiliary Oiler Replenishment	48
General Manager Submarines	
Collins Submarine Management Program	
Collins Class Submarines	560
Total - Top 30 Products	
	4,153
Other Approved Sustainment Product Estimates	1,226
Total Sustainment Product Funds Available	5,379
Support to Operations	139
Total Sustainment and Operations Funding	5,518

TOP 30 SUSTAINMENT PRODUCT DESCRIPTIONS

General Manager Joint, Systems and Air

Aerospace Systems

Aerospace Systems Division provides through-life support to a range of fixed wing aircraft types including the F/A-18A/B Hornet and F/A-18F Super Hornet, E-7A Wedgetail (Airborne Early Warning and Control), AP-3C Orion, C-17A Globemaster III, KC-30A (Multi-Role Tanker/Transport), C-130J Hercules, PC9 and the Heron Unmanned Aerial System. Aerospace Systems Division also provides through-life support to a number of advanced flight simulators and ground support equipment fleets.

During 2014-15, the major challenges for sustainment include:

- implementing efficiency initiatives aligned with strategic reform for maintenance and engine support to a range of aerospace weapons systems, including the introduction of performance-based contracts for new and existing aircraft fleets
- managing F/A-18 A/B Hornet ageing aircraft issues in order to maintain the capability to around 2020
- continuing to manage ageing aircraft issues associated with AP-3C and PC9 aircraft
- supporting operationally deployed weapon systems such as the C-17A and C-130J aircraft, and the Heron Unmanned Aerial System
- maturing the in-service support arrangements for the newly acquired KC-30A and Airborne Early Warning and Control aircraft fleets
- contributing to the development of acquisition and sustainment strategies for future aerospace projects including Maritime Patrol and Response capabilities (P8 aircraft) and the new Pilot Training Systems
- continuing with the refurbishment and transfer of C-130H aircraft to Indonesia
- taking delivery of and preparing for the introduction into service of the first C-27J aircraft
- rationalising Ground Support Equipment fleets, and introducing the new Aircraft Cargo Loader capability into service.

Aerospace Systems Products

F/A-18A Hornet Weapon System

Seventy-one F/A-18 Classic Hornet aircraft and associated training systems are supported by a range of commercial contracts and in-house Air Force workshops. The major challenge in supporting the Classic Hornet is the increased maintenance requirements of an ageing aircraft fleet.

During 2014-15, the focus will be to continue to work closely with the Air Force and industry partners to firm up plans and contracts that will see the platform out to retirement in 2021-22. An extension for radar support is in progress to complete late 2014; and the new Classic Hornet Hydraulics and Undercarriage Support contract will be established in late 2014. Other challenges include continued effort on remediating ageing aircraft issues, to ensure structural integrity of the aircraft through to retirement.

Airborne Early Warning and Control

The Airborne Early Warning and Control (AEW&C) weapon system comprises six aircraft and ground based systems.

During 2014-15, the focus will be on sustaining a mature flying rate of effort and deployment tempo. The prime in-service support contract, with Boeing Defence Australia, will complete the transition from a cost-plus fixed-fee arrangement to a performance-based, fee-at-risk arrangement with annual extensions to be considered based on continuous improvements being identified and implemented.

F/A-18F Super Hornet Weapon System

Twenty-four F/A-18F Block II Super Hornet aircraft are operated by 82 Wing in support of air combat capability requirements. The Super Hornet achieved Final Operational Capability in December 2012. Support and operational targets continue to be met.

During 2014-15, efforts will focus on enhancing the existing support arrangements in response to an extension of the planned withdrawal date and the expansion of the fleet to include 12 new Growler aircraft.

P-3C/AP-3C Orion Weapon System

The P-3 fleet consists of 16 Orion aircraft and a range of ground based systems. The P-3 remains heavily tasked on operations in northern Australia. The P-3 Accord (the DMO, BAE Systems Australia and Australian Aerospace) provides in-service modification and deeper maintenance support. Other major contractors, including Raytheon Australia, CAE Australia, Lockheed Martin and General Dynamics Canada, provide in-service support.

During 2014-15, the fleet will continue to be maintained under the more resource intensive 'safety-by-inspection' program. This program comprises additional targeted airframe structural inspections, repairs and/or structural element replacements. Work will also continue on supportability treatments for ageing systems, and the introduction of new T-56 engine support arrangements.

C-130J-30 Weapon System

The C-130J fleet consists of 12 aircraft and one Level 5 simulator. The C-130J is supported by two prime performance based contracts. Australian Aerospace provides intermediate and deeper level maintenance, logistics and engineering support, and Standard Aero provides propulsion system support.

During 2014-15, the focus will be on transitioning to the new performance-based contract for propulsion system support, certifying the new carbon brake and wheel assemblies that aim to deliver improved performance and reduced maintenance overhead, and further reforming the aircraft maintenance program to deliver greater aircraft availability to the operational squadron. Work will also continue on the next Block Upgrade under AIR 5440, aimed at improving operating efficiencies and enhancing navigation precision in line with emergent global air traffic management standards, in conjunction with our C-130J Joint User Group Partner Nations and Lockheed Martin.

Lead-in Fighter Hawk 127 Weapon System

The Lead-in Fighter fleet consists of 33 Hawk 127 aircraft and associated ground and support systems. BAE Systems Australia Limited provides total logistics support for the Hawk 127 fleet under an In-Service Support contract, with Tactical Fighter Systems Program Office managing this contract.

During 2014-15, the focus will be on maintaining a strong working relationship with BAE Systems to support the Lead-in Fighter capability.

Other major activities include the ongoing progression of the fleet corrosion control and re-paint Program as well as modification effort for introduction of AIR 5438 Phase 1A - Lead-In-Fighter Capability Assurance Program.

KC-30A Weapon System

The KC-30A weapon system comprises five aircraft and the training system. One aircraft has remained in Spain and is utilised on the acquisition flight test program. It is expected to be transferred to the sustainment organisation in 2014-15. During the period, one aircraft will be loaned to the acquisition project to facilitate refuelling clearance development. Over 2014-15, the entire KC-30A fleet will undergo a major modification program to upgrade a number of aircraft systems and implement boom capability.

During 2014-15, the focus of the sustainment organisation will be on maturing the support arrangements, sustaining the aircraft that are made available to the operating squadron, and supporting the boom and system upgrade program.

C-17 Heavy Air Lift Weapon System

The C-17A weapon system comprises six aircraft and the training system. All aircraft and the majority of other system elements have been transferred from the acquisition project, and the sustainment arrangements are quite mature. During 2014-15, the Cargo Compartment Trainer will be transferred from the acquisition project to the sustainment organisation. The sustainment organisation will also become solely responsible for the residual project activities.

During 2014-15, the focus will be on a number of ongoing reforms to sustainment, training and maintenance support. The reforms will involve changes to industry participation in the C-17A weapon system support and will result in a better balanced and effective sustainment organisation.

Special Purpose Aircraft

The Special Purpose Aircraft consists of two Boeing Business Jets and three Challenger 604 aircraft. These leased aircraft are managed under a total contractor support arrangement with Northrop Grumman Integrated Defence Services. The aircraft leases and maintenance support arrangements are in place until mid 2017.

During 2014-15, the focus will be on ensuring the continued delivery of the Special Purpose Aircraft capability in conjunction with managing the specification and early acquisition activities associated with development of a replacement capability for 2017 onwards.

Electronic Systems

Electronic Systems Division provides through life support to a range of command and control systems, communications, satellites and tactical interoperability, airspace surveillance and control systems and electronic warfare systems.

Key challenges in 2014-15 include the delivery of required sustainment outcomes with growth in demand, increased obsolescence and effective use of available resources. Some 103 reform initiatives have been identified to reform processes and achieve performance requirements within budget.

Key objectives for sustainment during 2014-15 include:

- transitioning to sustainment the fleet of Combat Net Radio equipment procured under JP 2072 Phase 1 and Phase 2A
- managing sustainment to achieve further program savings for all ADF Large Aircraft Infrared Countermeasures Systems, covering multiple current and future airborne programs
- sustaining the Joint Counter Improvised Explosive Device capability protecting Australian personnel deployed in the Middle East Area of Operations
- remediation of ALENIA and Tactical Air Navigation support strategies and contracts in preparation for possible life of type extension and to achieve reform in the context of ageing platforms facing significant obsolescence challenges
- treatment of obsolescence in the Tactical Air Defence Radar System and to remediate support arrangements to achieve reform
- addressing obsolescence issues at the Woomera Test Range and the Air Weapons Ranges
- development of support concepts for narrowband satellite communications control systems
- identifying further efficiencies and remediation of obsolescence issues affecting satellite communications systems
- remediation of hazardous chemical issues related to Naval satellite communications systems.

Electronic Systems Products

Wide Area Surveillance Capability

The Wide Area Surveillance Capability consists of three Over-The-Horizon-Radars based in Longreach, Queensland, Laverton, Western Australia and Alice Springs, Northern Territory and is known as the Jindalee Operational Radar Network (JORN). The radars are maintained by Lockheed Martin Australia and BAE Systems. The capability is remotely operated by the Air Force from an operations centre at RAAF Base Edinburgh, South Australia.

During 2014-15, sustainment effort will be focused on replacing cooling systems that use R22 refrigerant gas; progression of the Defence Fuel Installation Audit remediation activities at remote radar sites; and continuation of the JORN Priority Industry Capability Support Program, providing risk reduction for the next major JORN development program.

Command and Intelligence Systems

Sustainment of Command and Intelligence Systems, provides sustainment support to the Army's operationally deployable command, intelligence and geospatial support systems. These systems consist of hardware and software configured primarily to provide protected and secret deployable networks of varying sizes and configurations for the Army and Special Operations.

During 2014-15, the focus will be on sustainment of the extant deployable networks, inclusive of those deployed on operations and commencement of transition to the next generation of deployable networks for the Army and Special Operations.

Tactical Electronic Warfare System

Tactical Electronic Warfare Systems comprise 26 diverse products that directly support tactical electronic warfare missions. These products deliver electronic effects in the joint, maritime, land and air domains; and typically are man-portable or fitted to military platforms.

During 2014-15, the focus will be on the continuation of a technical refresh on major air and maritime platforms.

Battlespace Communication Systems

This capability consists of two primary fleets of communications equipment. The Combat Net Radio Fleet is a range of man-portable and vehicle mounted radios for use by ground forces on the battlefield. The Battlefield Telecommunications Network Fleet is a satellite and trunking system that provides a voice and data capability to a deployed Brigade.

These fleets are maintained via sustainment contracts with Thales Australia, Saab Australia and BAE Systems Australia. JP 2072 is a major project that is replacing the current generation of Battlespace Communications Systems via a series of project phases.

During 2014-15, the key focus will continue to be on planning and executing the transition of the first phase of the JP 2072 generation of communications equipment from acquisition to sustainment. A major aspect of this transition is the establishment of mature maintenance and support contracts with Harris Corporation and Raytheon Australia. Concurrently there will be continued focus on identifying elements of the current fleet that can be rationalised or retired from service. Planning for the timely withdrawal of current fleets, as the new radios are introduced into service, remains critical to minimising longer term sustainment costs.

Helicopter Systems

Helicopter Systems Division provides through-life support to eight rotary wing weapons systems including the MRH90, ARH Tiger, Blackhawk, Seahawk, Chinook, Kiowa and Squirrel. Support consists of fleet-wide engineering, repair parts, contract management for deeper level maintenance and replacement of ageing and obsolescent aircraft equipment for the Army's and the Navy's helicopters. In addition, a combined project and sustainment team to manage the through-life support of the Army's tactical level unmanned aerial systems has been established within the Division.

The high priority sustainment tasks remain the support of operational deployments, including the embarked Seahawks in ships serving in the Middle East.

During 2014-15, the key sustainment objectives include:

- providing ongoing support to operationally deployed helicopters
- providing cost conscious support of Seahawk, Black Hawk and Chinook helicopters for training and operations while managing their withdrawal from service
- providing cost conscious support for the Kiowa and Squirrel training helicopters ahead of their withdrawal from service
- continuing to support and update the shadow tactical unmanned aerial system in Australia
- maturing the support arrangements for the Tiger and MRH90 helicopters to improve performance
- establishing the support networks for the Seahawk Romeo and CH-47F Chinook.

Helicopter Systems Products

Multi Role Helicopter

During 2014-15, MRH90 deliveries will expand the fleet to 33 aircraft (out of the 47 aircraft to be acquired in total). In-service support is provided under contract by Australian Aerospace. The MRH90 fleet is presently operated across four locations: the 5th Aviation Regiment in Townsville, Queensland; the Army Aviation Training Centre in Oakey, Queensland; 808 Squadron in Nowra, New South Wales; and a retrofit program running with Australian Aerospace in Brisbane.

During 2014-15, the sustainment focus will be to improve enabling technical services and supply and engineering support required for the Navy and the Army to meet their key capability milestones.

Armed Reconnaissance Helicopter Weapons System

All 22 Tiger armed reconnaissance helicopters are now in-service in the final mature configuration. In-service support is provided under contract by Australian Aerospace.

During 2014-15, the focus will be on improving the availability of spare parts to enable the Army to generate increasing flying rates of effort to support capability milestones. The outcomes of a strategic review of the through life support contract will also be implemented; the review is intended to address the price basis of the contract and improve aircraft support.

S70A-9 Black Hawk Weapons System

The Army's fleet of Black Hawk helicopters continue to provide the required levels of support to airmobile and special operations capabilities.

During 2014-15, the operational fleet will reduce to 18 aircraft and sustainment will be optimised to ensure that the smaller fleet provides the required level of operational availability until Black Hawk is replaced by the MRH90.

MH-60R Seahawk Romeo Weapon System

During 2014-15, the number of Seahawk 'Romeo' helicopters accepted into service will grow to seven. The Romeo will contribute to the Navy's anti-surface and anti-submarine warfare capabilities, replacing the Seahawk 'Classic' in service.

A through-life support contract with the Maritime Helicopter Support Company, a Lockheed Martin/Sikorsky Aircraft Corporation joint venture, will be administered via a United States Foreign Military Sales sustainment case.

The main focus in 2014-15 will be the establishment of in-country sustainment facilities and services to support the planned increase in Romeo rate of effort.

S70B-2 Seahawk Weapons System

The fleet of 16 Seahawk 'Classic' helicopters contributes to the Navy's anti-surface and anti-submarine warfare capabilities. The Seahawk is supported through a combination of maintenance contracts primarily with BAE Systems Australia and Asia Pacific Aerospace, the Navy in-unit maintenance, and support from the helicopter manufacturer Sikorsky.

The Seahawk is an ageing aircraft with a number of mission system related obsolescence issues under careful management.

During 2014-15, the focus will be on careful management of the principal Seahawk 'Classic' sustainment risks to maintain a viable embarked helicopter capability as the new Seahawk 'Romeo' capability is progressively introduced.

General Manager Land and Maritime

Guided Weapons Branch

Guided Weapons Branch is responsible for the sustainment the ADF's inventory of guided weapons. The Branch is an authorised engineering organisation and an authorised maintenance organisation which undertakes "in-house" intermediate level maintenance of guided weapons in New South Wales, Western Australia and Queensland.

Key objectives for sustainment in 2014-15 include:

- continued focus to deliver sustainable savings in munitions procurement and management, and guided weapons support as part of strategic reform
- continued migration of all general stores inventory and repairable items from Computer System Armament to Military Integrated Logistics Information System
- continued remediation of current missile maintenance facilities and test sets
- undertaking preparatory work to support a transition from 'in-house' to 'contractor provided' intermediate level maintenance of guided weapons
- improved workplace health and safety outcomes, with a particular focus on the management of hazardous substances.

Guided Weapons Branch Products

Guided Weapons – Navy, Army, Air Force

The ADF's inventory of guided weapons includes: heavy and light weight torpedoes; air, sea, land and submarine launched missiles; bombs and bomb guidance kits; and mine countermeasure explosive ordnance.

During 2014 -15, Guided Weapons Branch will focus on:

- satisfying the ADF's demands for ready-for-issue guided weapons
- planning for the outsourcing of guided weapons maintenance
- initiating the conversion and upgrading of the existing missile inventory for Air Warfare Destroyer
- further progression of the remediation and upgrade of the Harpoon missile inventory
- addressing missile obsolescence and reliability issues, and implementing service life extensions and software upgrades to achieve improved performance
- establishment of sustainment arrangements for weapons being introduced into service
- replenishment provisioning of weapons to assure maintenance of required inventory levels
- timely disposal of obsolete and time-expired guided weapons.

Munitions Branch

Sustainment of munitions is managed by Munitions Branch. The primary focus of Munitions Branch is on the acquisition and sustainment of non-guided explosive ordnance, including: management of the national inventory of munitions; management of strategic contracts for domestic munitions manufacture under the Strategic Agreement for Munitions Supply, the Mulwala Agreement; and the Contract for Supply of Expendable Stores and Pyrotechnics.

Key objectives for sustainment in 2014-15 include:

- ensuring safe and serviceable munitions are available to meet ADF requirements
- pursuing improved commercial arrangements for the supply of munitions to the ADF
- continuing to deliver sustainable savings and strategic reform in munitions procurement
- further developing optimum inventory management and associated reporting capabilities
- progressing the Defence Munitions Manufacturing Arrangements project to replace the Strategic Agreements for Munitions Supply and Mulwala Agreements.

Munitions Branch Products

Munitions – Navy, Army, Air Force

Sustainment of munitions includes all activities required to ensure munitions are available to meet specified ADF requirements, such as: inventory management; introduction of munitions into service; management of domestic manufacturing capability; importation; management of each munition's service life; and disposal of munitions.

During 2014-15, the focus will be on:

- ensuring safe and serviceable munitions are available to meet ADF requirements
- pursuing improved commercial arrangements for the supply of munitions to the ADF
- continuing to deliver sustainable savings and strategic reform in munitions procurement
- further developing optimum inventory management and associated reporting capabilities
- progressing the Defence Munitions Manufacturing Arrangements project to replace the Strategic Agreements for Munitions Supply and Mulwala Agreements.

Land Systems

Land Systems Division is responsible for the sustainment of the following land materiel, managed in conjunction with the Army and Joint Health Command as the lead Capability Managers:

- armoured fighting, combat support and field vehicles
- engineer, surveillance and simulation systems
- small arms to missile weapon systems
- medical, and dental equipment, health systems and combat rations
- ADF clothing and personal combat equipment.

Key objectives for sustainment in 2014-15 include:

- meeting the support requirements of forces on operations
- delivering the agreed level of support to the ADF within budget
- undertaking comprehensive equipment fleet performance reviews with Defence Capability Managers
- enhancing training and professionalisation of sustainment staff to optimise skills and improve staff agility to better manage scarce resources
- modernising sustainment of vehicle fleets by introducing Vehicle Health and Usage Monitoring Systems into selected land vehicle fleets to better manage maintenance and fleet rotation, thus achieving significant sustainment savings.

Land Systems Products

Australian Defence Organisation Commercial Vehicles Fleet

The Australian Defence Organisation Commercial Vehicle Fleet comprises approximately 5,400 Defence owned vehicles and trailers. The fleet ranges from passenger sedans through to heavy rigid trucks and touring coaches. An additional 30 road-train systems are leased under the program. During 2013-14, approximately 900 passenger and light-medium commercial vehicles and 300 trailers were replaced. The fleet has been subject to the ongoing reduction program, albeit with Army approval to retain certain vehicles and the replacement of other leased vehicles with Defence owned vehicles.

During 2014-15, the focus will be on improving fleet utilisation, asset management and the commencement of a replacement program for the Touring Coach fleet.

General Service B Vehicle Fleet

The General Service B Vehicle fleet comprises a broad range of light and medium/heavy wheeled vehicles used by the ADF, consisting of approximately 9,500 assets. Most vehicles in the B Vehicle fleet are to be progressively replaced under LAND 121 and JP 2097. Land Rover variants are currently being phased out as the G-Wagon variants are introduced into service. The transition of the medium/heavy fleet-of-vehicles is anticipated to commence in 2018-19.

During 2014-15, the focus will be on the continued phase out of the Land Rover fleet as the Mercedes Benz G-Wagons are delivered to ADF units. Remediation of vehicles returning from operations, principally Afghanistan, will continue. Furthermore, the B Vehicle fleet will require rebalancing to meet the Army's revised force structure requirements under Plan BEERSHEBA.

ADF Clothing

ADF Clothing comprises of approximately 18,500 line items of personal clothing, footwear and other items manufactured by the textile, clothing and footwear industry.

During 2014-15, the key activities include:

- introducing the Australian Multicam Combat Uniform and the Air Force's General Purpose Uniform
- continuing the roll out of new Army Parade Boots, and a new general purpose jacket for the Army and the Air Force
- introducing new Navy and Air Force parade shoes
- procuring Cadet boots, Navy boots, wet and foul weather garments and embroidered insignia
- conducting ongoing procurement to meet the ADF's clothing and footwear requirements for operations as well as for raise, train and sustain activities.

Maritime Systems

The Maritime Systems sustainment concept is to support maritime capability through cost effective materiel design, maintenance engineering and logistic support to platforms, equipment and systems. The provision of these sustainment services is under a structure of System Program Offices that are collocated regionally with the Navy Forces and Groups by ship class, and that manage the delivery of services through a variety of outsourced commercial contracts.

Key objectives for sustainment during 2014-15 include:

- continuing implementation of the Rizzo Review recommendations and embedding the policy, procedural and cultural changes needed for reform
- continuing implementation of the Smart Sustainment strategic reform through initiatives such as amended in-service support arrangements to improve efficiency of the Mine Hunter Coastal ships, and the Strategic Sourcing Initiative in the Navy Inventory Procurement Office
- amending in-service support arrangements to improve materiel support to the Armidale Class Patrol Boats
- continuous improvement of the configuration management and maintenance baseline of major surface ships and other platforms
- establishing the Guided Missile Frigate Class Group 2 Maintenance Contract
- establishing the Dock Operation and Reticulated Services Contract for the Captain Cook Graving Dock and the Garden Island Defence Precinct
- providing ongoing support to HMAS *Choules* and the Interim Maritime Humanitarian Aid and Disaster Relief vessel - Ocean Shield
- preparing for the in-service sustainment of the Landing Helicopter Dock and Air Warfare Destroyer ships.

Maritime Systems Products

Fuels and Lubricants – Navy, Army, Air Force

Petrol, oil and lubricant products are procured under long-term contracts and provided to Defence operational and support elements and visiting foreign forces. The Fuels Technical Regulatory and Quality Control Framework is maintained for the conduct of Services' operations along with technical data integrity.

During 2014-15, the focus will continue to be assisting the Services, Defence Support & Reform Group and Joint Logistics Command with the materiel remediation of all Defence Bulk Fuel Installations; the development of a new suite of tenders for release in early 2015 for a number of long term contracts, and the transition of all Military Vehicle, Aviation and Marine Fuel Cards to the Whole of Government Contract Arrangement.

Anzac Class Frigate

The support objective is to maintain the materiel capability of the Anzac Class Frigates through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.

During 2014-15, the focus will be on support to maintain the materiel capability of the Anzac Class Frigates and continued delivery of the Anti Ship Missile Defence refit and upgrade program. Additional support to materiel capability will be provided to Anzac Class Frigates undertaking activities associated with Operation SLIPPER and Operation RESOLUTE. HMA Ships *Anzac*, *Warramunga*, *Parramatta*, *Ballarat* and *Toowoomba* will either enter or exit the Anti-Ship Missile Defence upgrade and refit program during 2014-15.

Planning effort continues in support of the Anzac Class Block Upgrade Program which is scheduled to commence in 2016, and incorporating 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.

Commercially, effort will be directed to innovate and evolve the major support contracts under the Group 3 Group Maintenance Contract and the Anzac Ship Integrated Materiel Support Program Alliance Master Agreement.

Adelaide Class Frigate

The support objective is to maintain the materiel capability of the Adelaide Class Frigates through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.

During 2014-15, the focus will be on completing scheduled ship maintenance activities for the frigates across the financial year; implementation of the Adelaide Class Group Maintenance Contract; updating the Integrated Materiel Support contract; preparations for the disposal of the first of the remaining ships and continuing to seek outcome focussed solutions across the System Program Office.

Canberra Class (LHD) Sustainment

The scope of this product addresses the sustainment of two Canberra Class Landing Helicopter Dock (LHD) platforms, 12 LHD Landing Craft (LLC), and associated shore-based systems and facilities, as these are introduced into service.

The objective is to provide the materiel availability of the LHD capability to the Navy, by meeting Seaworthiness, materiel confidence, and cost efficiency demands. This will enable the LHD to deliver integrated combat capabilities in amphibious warfare, humanitarian assistance, disaster relief, and sealift.

During 2014-15, the focus will be on embedding and fostering the critical enabling functions for the initial period of LHD and LLC operations. This includes effecting the successful introduction of key commercial relationships with Australian defence industry partners to provide LHD and LLC maintenance, engineering and supply support services, and asset management, governance support and independent assurance services.

Mine Hunter Coastal

The support objective is to maintain the materiel capability of the Huon Class Mine Hunter Coastal vessels and associated training equipment through the provision of materiel support and ongoing maintenance of the in-service ships.

During 2014-15, the focus will be to complete scheduled ship maintenance activities for the operational ships throughout the financial year and continued action to complete the detailed design for the upgrade of the ships' fire fighting and combat systems.

Auxiliary Oiler Replenishment

The support objective is to maintain the materiel capability of the Underway Replenishment Tanker, HMAS *Success*, through the provision of materiel support and ongoing maintenance of the ship and associated equipment and systems.

During 2014-15, the focus will be on completing scheduled ship maintenance activities for HMAS *Success* across the financial year to enable deployment to Exercises and Operations as programmed in the Force Generation Plan.

General Manager Submarines

Collins Submarines Program

The objective of the Collins Program is to sustain the Collins Class Submarine (CCSM) materiel capability (including the associated escape and rescue capability), minimise the logistic costs of ownership, and provide sustainable and cost effective design, engineering and logistics support for platform systems and combat systems, through agreements with industry partners including ASC Pty Ltd (ASC), Raytheon Australia, Thales, BAE Systems and other providers. A new performance based In-Service Support Contract (ISSC) with ASC became operational on 1 July 2012. Recommendations from the Coles Studies, that were delivered in late 2012 and early 2014, re-emphasise the importance of ongoing ISSC transition activities during 2014-15 and associated Collins reform work currently underway with Navy's Rizzo and associated continuous improvement programs. A Transformation Office has been established to drive implementation of the Coles recommendations including significant changes to the Collins usage upkeep cycle to improve CCSM availability.

The DMO has established an enterprise approach with industry partners with the goals being:

- delivering required capability at benchmark availability
- building an enterprise workforce with sustained submarine knowledge embedded in a collaborative working environment
- participants collaborate in successful enterprise with aligned objectives and interest
- reducing sustainment costs over time through productivity improvements.

During 2014-15, the planned outcome is to continue efforts to improve the availability and reliability of the CCSM against progressively increasing performance targets agreed with the Capability Manager (Navy) the CCSM against progressively increasing performance targets agreed with the Capability Manager (Navy).

Programme 1.3 Provision of Policy Advice and Management Services

Programme 1.3 Objective

The DMO will meet Government, Ministerial and Departmental expectations and timeframes for the provision of policy, advice and support and delivery of industry programmes.

Programme 1.3 Expenses

The cost of Programme 1.3 provides for estimated expenditure in delivering industry programmes and procurement policy and advice to both the Defence Portfolio and the Government, and the corporate in support of the DMO's business activities. Planned resource use for Programme 1.3 is \$105.5m in 2014-15 representing approximately one per cent of the DMO's total expenses.

The planned resource use for Programme 1.3 primarily includes:

- direct appropriation of \$66.2m for workforce and operating expenses relating to the provision of policy advice and management services
- direct appropriation of \$27.1m relating to industry programmes
- resources received free of charge from Defence and ANAO of \$11.3m
- Other resources of \$0.9m.

Table 91: Programme 1.3 Provision of Policy Advice and Management Services

	2013-14 Estimated Actual \$'000	2014-15 Budget \$'000	2015-16 Forward estimate \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000
Special Account Expenses:					
Defence Materiel Special Account	2,449	894	917	2,596	963
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	96,749	93,307	90,342	91,324	100,074
Expenses not requiring appropriation in the Budget year ⁽¹⁾	11,013	11,261	11,515	11,776	12,043
Total Programme Expenses	110,211	105,462	102,774	105,696	113,080

Note

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

Programme 1.3 Deliverables

This Programme supports the Government and the Department and delivers specialist legal, procurement and contracting policy and services, industry programmes and engagement, and acquisition and sustainment advice.

Programme 1.3 Key Performance Indicators

The DMO is meeting Government, Ministerial and Departmental expectations and timeframes for provision of policy, advice and support and delivery of industry programmes.

Programme 1.3 performance targets include:

- Defence industry programmes and engagement in accordance with the Defence Industry Policy Statement, and
- Defence industry policy advice to Government.

As the Defence Business Domain Process Owner for procurement and contracting, the DMO oversees an ongoing program of reform aimed at realising improved efficiency and effectiveness in outcomes from Defence procurements.

Major procurement policy initiatives for 2014-15 include:

- continuing the commercial reform program for the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates that will focus on a number of critical contracting areas such as commercial risk and liability and intellectual property and technical data aimed at ensuring appropriately balanced commercial and capability outcomes
- implementing a range of policy and process improvements aimed at reducing the costs of tendering to both Defence and industry
- ensuring that Defence procurement policy and guidance is relevant, current and responsive to change, through publication of material that is up to date, useable and readily accessible, and continuing to rationalise, simplify and standardise the existing suite of guidance to improve Defence's ability to achieve outcomes efficiently
- continuing to support the implementation of e-Procurement across Defence by integrating procurement functions into the core Defence Finance and Logistics Systems, and leveraging e-business opportunities to improve processes for both Defence and industry such as implementing electronic tendering practices
- working with industry and professional bodies such as the Chartered Institute of Purchasing and Supply Australasia (CIPSA) to enhance the Defence procurement and contracting job family professionalisation through the development and delivery of a professionalisation framework.

The Government is committed to ensuring Australia's domestic defence industry base remains healthy and that opportunities are provided to allow Australian companies to compete for Defence work on their merits. The Government has a key objective of supporting innovation, competitiveness and skilling within Australia's defence industry.

Following completion of the Priority Industry Capability (PIC) Health Check Program in 2013-14, the focus for 2014-15 will be to undertake a first principles review of the PICs which will inform development of the Defence Industry Policy Statement 2015.

The DMO will continue to ensure that Australian companies are provided with opportunities to compete for Defence work and, more broadly, the DMO will continue to pursue its wider industry development initiatives, including through:

- the Defence Industry Innovation Board which reviews and provides advice to Government about Defence's industry programmes
- the Australian Military Sales Office, including:
 - the 'Team Defence Australia' initiative which facilitates opportunities for exports by Australian Defence industry through a program of missions and trade show representation
 - enabling government-to-government transactions on behalf of industry
 - managing major Defence asset disposals, including seeking opportunities for industry involvement where these can lead to improved outcomes.
- the Global Supply Chain Program, which facilitates opportunities for Australian companies to enter the supply chains of multi-national Defence primes
- leveraging international materiel cooperation and international Defence cooperation engagement to progress and mutually reinforce both industry and international policy objectives
- the Australian Industry Capability Program which seeks to maximise opportunities for Australian industry to compete on its merits
- other Defence industry programs aimed at supporting industry innovation, competitiveness and skilling, for example: Skilling Australian Defence Industry; the Schools Pathway Program; and sponsorship of Re-Engineering Australia initiatives such as the F1 in Schools Challenge and a pilot Future Submarine Technology Challenge (Subs in Schools).

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of agency finances for the 2014-15 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the Financial Management and Accountability Act or under separate enabling legislation. The expected additions (receipts) and reductions (payments) for each account used by the DMO are detailed in the table below.

Table 92: Estimates of Special Account Flows and Balances

	Outcome	Opening	Receipts	Payments	Adjustments	Closing
		2014-15	2014-15	2014-15	2014-15	Balance
		2013-14	2013-14	2013-14	2013-14	2013-14
		\$'000	\$'000	\$'000	\$'000	\$'000
Defence Materiel Special Account (A & D)	1	250,203	12,606,266	12,602,178	-	254,291
		247,136	10,966,623	10,963,556	-	250,203
Total Special Accounts 2014-15		250,203	12,606,266	12,602,178	-	254,291
<i>2013-14 estimated actual</i>		247,136	10,966,623	10,963,556	-	250,203

Notes

(A) = Administered

(D) = Departmental

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

The DMO's grants are paid from departmental funds provided by direct appropriation from the Government and are approved by the Minister for Defence. The approved budget for the DMO's grants programme is \$10.5m in 2014-15.

Table 93: Approved Grants for 2014-15

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000
Skilling Australia's Defence Industry (SADI)	11,093	5,300
Priority Industry Capability Innovation Program (PIC IP)	3,831	2,763
Industry Skilling Program Enhancement (ISPE)	1,217	894
New Air Combat Capability Industry Support Program (NACC ISP)	1,550	1,513
Total	17,691	10,470

Detailed information on Grant Programmes and recipients can be found at:

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

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

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

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

3.2 DMO BUDGETED FINANCIAL STATEMENTS

3.2.1 Analysis of Budgeted Financial Statements

Income Statement

The DMO is budgeting for a break-even operating result for 2014-15, with total income and expenses of \$12,580.1m. Of this amount, the DMO will earn \$11,664.5m (92.7 per cent) from Defence, \$881m (7.0 per cent) through direct appropriation from Government, and \$34.6m (0.3 per cent) from other sources.

The funding received from Defence for the delivery of Programmes 1.1 and 1.2 is recorded as revenue to the extent that the DMO provides goods and services to Defence during the financial year. Amounts received for goods and services not yet delivered are recorded as a liability (unearned revenue within Payables – Other) in the DMO financial statements.

The income for 2014-15 is expected to be \$2,535.4m (25.2 per cent) higher than the 2013-14 estimated actual. The variation is the result of the increase in programme activities as follows:

- Programme 1.1 (Management of Capability Acquisition) \$6,308.7m – increase of \$1,964.8m (45.2 per cent)
- Programme 1.2 (Management of Capability Sustainment) \$6,166.0m – increase of \$575.3m (10.3 per cent)
- Programme 1.3 (Provision of Policy Advice and Management Services) \$105.5m – decrease of \$4.7m (4.3 per cent).

Balance Sheet

With the exception of employee entitlements that are expected to increase consistent with salary growth, other assets and liabilities are estimated to remain relatively consistent over the forward estimates. This includes the unearned revenue from Defence as the DMO expects to deliver acquisition and sustainment outcomes based on the funding provided by Defence.

Statement of Cash Flows

Cash flows are consistent with the income statement and growth in employee entitlements as described above.

3.2.2 Budgeted Financial Statements Tables

Table 94: Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
EXPENSES					
Employee benefits	552,519	599,271	572,025	593,284	605,892
Supplier expenses	9,473,626	11,969,042	12,920,167	12,623,884	14,107,935
Grants	17,691	10,470	8,599	9,870	8,598
Depreciation and amortisation	860	1,313	1,346	1,380	1,415
Total expenses	10,044,696	12,580,096	13,502,137	13,228,418	14,723,840
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	9,136,899	11,664,460	12,553,503	12,234,127	13,696,539
Other revenue	34,265	33,505	34,343	36,858	36,082
Total own-source revenue	9,171,164	11,697,965	12,587,846	12,270,985	13,732,621
Gains					
Other gains	1,100	1,100	1,100	1,100	1,100
Total gains	1,100	1,100	1,100	1,100	1,100
Total own-source income	9,172,264	11,699,065	12,588,946	12,272,085	13,733,721
Net cost of (contribution by) services	872,432	881,031	913,191	956,333	990,119
Revenue from Government	872,432	881,031	913,191	956,333	990,119
Surplus (Deficit) attributable to the Australian Government	-	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	-	-	-	-	-

Table 95: Budgeted Departmental Balance Sheet (as at 30 June)

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	130,000	130,000	130,000	130,000	130,000
Trade and other receivables	639,705	550,304	472,612	427,061	379,263
Total financial assets	769,705	680,304	602,612	557,061	509,263
Non-financial assets					
Property, plant and equipment	6,009	6,009	6,009	6,009	6,009
Intangibles	-	-	-	-	-
Other non-financial assets	1,434,647	1,434,647	1,434,647	1,434,647	1,434,647
Total non-financial assets	1,440,656	1,440,656	1,440,656	1,440,656	1,440,656
Total assets	2,210,361	2,120,960	2,043,268	1,997,717	1,949,919
LIABILITIES					
Payables					
Suppliers	1,192,519	1,192,519	1,192,519	1,192,519	1,192,519
Grants	5,111	5,111	5,111	5,111	5,111
Other payables	428,151	337,130	253,122	201,049	146,517
Total payables	1,625,781	1,534,760	1,450,752	1,398,679	1,344,147
Provisions					
Employee provisions	176,025	177,645	183,961	190,483	197,217
Other provisions	5,881	5,881	5,881	5,881	5,881
Total provisions	181,906	183,526	189,842	196,364	203,098
Total liabilities	1,807,687	1,718,286	1,640,594	1,595,043	1,547,245
NET ASSETS	402,674	402,674	402,674	402,674	402,674
EQUITY					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves	252	252	252	252	252
Retained surplus (accumulated deficit)	247,054	247,054	247,054	247,054	247,054
Total parent entity interest	402,674	402,674	402,674	402,674	402,674
Total equity	402,674	402,674	402,674	402,674	402,674

Table 96: 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	247,054	252	155,368	402,674
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	247,054	252	155,368	402,674
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	247,054	252	155,368	402,674

Table 97: Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June)

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	10,027,567	11,664,460	12,553,503	12,301,430	13,734,776
Appropriations	869,365	876,943	925,883	947,187	983,220
Net GST received	697,170	840,380	906,880	886,281	990,130
Other cash received	60,569	60,525	62,099	65,368	65,367
Total cash received	11,654,671	13,442,308	14,448,365	14,200,266	15,773,493
Cash used					
Employees	549,031	595,183	584,717	584,138	598,993
Suppliers	9,941,887	11,994,962	12,946,823	12,651,294	14,136,120
Grants	17,691	10,470	8,599	9,870	8,598
Net GST paid	697,170	840,380	906,880	886,281	990,130
Other cash used	453,416	-	-	67,303	38,237
Total cash used	11,659,195	13,440,995	14,447,019	14,198,886	15,772,078
Net cash from (used by) operating activities	-4,524	1,313	1,346	1,380	1,415
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment					
Total cash used	1,281	1,313	1,346	1,380	1,415
Net cash from (used by) investing activities	-1,281	-1,313	-1,346	-1,380	-1,415
Net increase (decrease) in cash held	-5,805	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	135,805	130,000	130,000	130,000	130,000
Cash and cash equivalents at the end of the reporting period	130,000	130,000	130,000	130,000	130,000

Table 98: Departmental Capital Budget Statement

	2013-14 Estimated Actual \$'000	2014-15 Budget 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]	1,281	1,313	1,346	1,380	1,415
Total	1,281	1,313	1,346	1,380	1,415
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	1,281	1,313	1,346	1,380	1,415
Total cash used to acquire assets	1,281	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
 - s31 relevant agency receipts (for FMA agencies only)
 - proceeds from the sale of assets.

Table 99: 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	8,606	292	8,898
Accumulated depreciation/amortisation and impairment	-2,597	-292	-2,889
Opening net book balance	6,009	-	6,009
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	-1,013	-	-1,013
As at 30 June 2015			
Gross book value	9,919	292	10,211
Accumulated depreciation/amortisation and impairment	-3,910	-292	-4,202
Closing net book value	6,009	-	6,009

3.2.3 Administered Budgeted Financial Statements Tables

Table 100: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the Period Ended 30 June)

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'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	250	250	250	250	250
Other	-	-	-	-	-
Total Non-taxation	250	250	250	250	250
Total own-sourced income administered on behalf of Government	250	250	250	250	250

Table 101: Schedule of Budgeted Assets and Liabilities on Behalf of Government (as at 30 June)

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'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	2,059	2,059	2,059	2,059	2,059
Total Financial assets	2,059	2,059	2,059	2,059	2,059
Total Assets administered on behalf of Government	2,059	2,059	2,059	2,059	2,059

Table 102: Schedule of Budgeted Administered Cash Flows (for the Period 30 June)

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	250	250	250	250	250
Total Cash received	250	250	250	250	250
Net cash from or (used by) operating activities	250	250	250	250	250
Net increase (decrease) in cash held and cash equivalents held	250	250	250	250	250
Cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash to the Official Public Account for:					
- Transfers to other entities (Finance - Whole of Government)	250	250	250	250	250
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.4 Notes to the Financial Statements

Budgeted Financial Statements

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

DMO Departmental Revenue

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

DMO Departmental Expenses

Employees

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

Suppliers

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

Depreciation and Amortisation

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

DMO Departmental Assets

Departmental Assets — Financial

The primary financial assets are cash and receivables.

Departmental Assets — Non-financial

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

DMO Departmental Liabilities

Departmental Liabilities — Provisions

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

Departmental Liabilities — Payables

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