Defence Materiel Organisation

Agency Resources and Planned Performance

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DEFENCE MATERIEL ORGANISATION

Section 1: DMO Overview and Resources

1.1 STRATEGIC DIRECTION STATEMENT

Given the recommendations of the First Principles Review the Defence Materiel Organisation (DMO) will commence transition to the new arrangements during the 2015-16 financial year. In the interim the DMO will continue to provide the materiel equipment and sustainment elements of capability for the ADF in an effective, efficient, economical and safe manner.

While financial performance of the DMO over the last five years continues to be, on average, above comparable benchmarks, there continues to be a need to improve schedule performance. This will be a major focus of revised processes resulting from the First Principles Review.

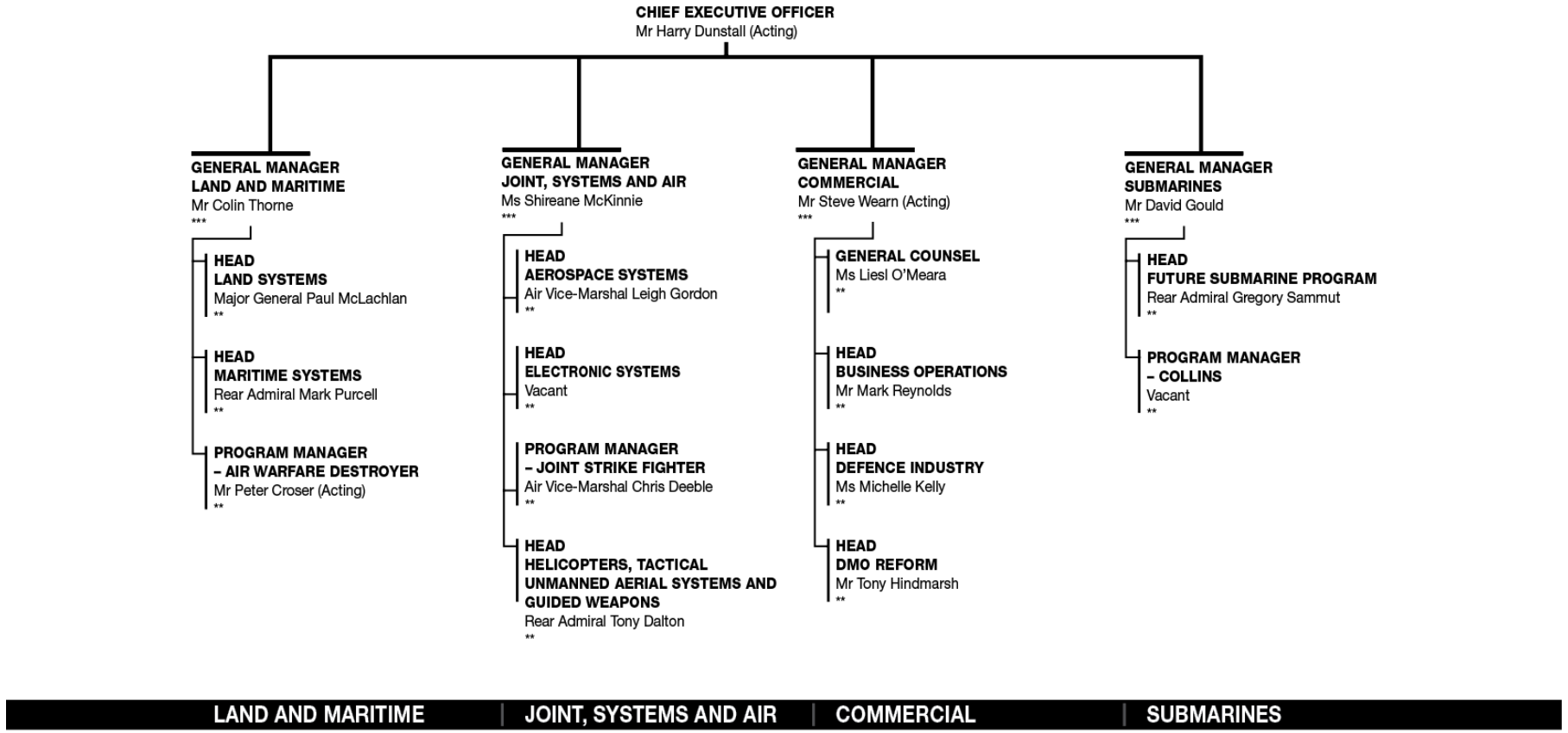
The DMO will continue to work with the Capability Managers to set the required sustainment performance standards and to deliver within agreed budgets. It will also be seeking opportunities to improve schedule efficiency by providing incentives to DMO's industry partners with innovative contractual arrangements.

The continuing reduction in the DMO's workforce through reform has been challenging for the organisation while the work the DMO manages increases year on year. The DMO workforce is four per cent smaller than when established as a prescribed agency almost a decade ago. This is despite the workload, measured in real budget, growing 40 per cent over the same period, and the increasing technical complexity of the work itself.

Organisational Structure

On 31 March 2015, the DMO Chief Finance Officer and Finance Division transferred to Defence under the CFO Group. Finance management, advice and support are now provided by CFO Defence through a shared service arrangement to the DMO.

Figure 4: The DMO Organisational Structure as at 1 May 2015



Senior Executive Changes

The following changes have taken place since the *Portfolio Additional Estimates Statements 2014-15*.

- The previous Chief Executive Officer – Defence Materiel Organisation, Mr Warren King, ceased duties in his position on 27 February 2015. Mr King will undertake duties elsewhere in the Department for a period of time before retiring from the Australian Public Service.
- Mr Harry Dunstall will act in the position of Chief Executive Officer – Defence Materiel Organisation from 2 March 2015.
- Effective as at 11 March 2015, Mr Steve Wearn is Acting General Manager Commercial.

1.2 DMO RESOURCE STATEMENT

Resourcing For 2015-16

As an outcome of the First Principles Review the DMO will be transitioning to new arrangements during the 2015-16 financial year under the Department of Defence. As a result, the DMO will no longer receive a Direct Appropriation from Government with Operating costs being provided as part of the Defence Appropriation. There will also no longer be a prepayment from Defence to the DMO for contracted Acquisition and Sustainment services.

Financial Tables for the DMO have been modified to reflect these new arrangements with the 2014-15 Estimated Actual and the 2015-16 Budget and Forward Estimates being shown in separate tables as appropriate. As at 1 July 2015 DMO will have an opening Special account balance of $301.222m excluding amounts held on behalf of Foreign Governments. This amount will transfer to the Department of Defence as part of these transition arrangements.

Table 80: DMO Resource Statement - Budget Estimates 2015-16 as at Budget May 2015

		Total Available Appropriation 2014-15 $'000	Estimate of prior year amounts available in 2015-16 $'000	+	Proposed at budget 2015-16 $'000	=	Total Estimate 2015-16 $'000
	ORDINARY ANNUAL SERVICES						
	Departmental appropriation						
	Prior year departmental appropriation[1]	297,121	301,222		-		301,222
	Departmental appropriation[2]	879,683	-		-		-
	Total Departmental appropriation	**1,176,804**	**301,222**		**-**		**301,222**
A	**Total Ordinary Annual Services**	**1,176,804**	**301,222**		**-**		**301,222**
	Total Available Annual Appropriations	**1,176,804**	**301,222**		**-**		**301,222**
	Special Accounts						
	Opening balance[3,4]	297,121	301,222		-		301,222
	Appropriation receipts[5]	879,683	-		-		-
	Appropriation receipts - other agencies[6]	11,712,220	-		-		-
	Non-Appropriation receipts to Special Accounts	894	-		-		-
B	**Total Special Accounts**	**12,889,918**	**301,222**		**-**		**301,222**
	Total Resourcing (A + B)	**14,066,722**	**602,444**		**-**		**602,444**
	Less appropriations drawn from annual appropriations above and credited to special accounts	1,176,804	301,222		-		301,222
	Total Net Resourcing for DMO	**12,889,918**	**301,222**		**-**		**301,222**

Notes

1. Estimated adjusted balance carried forward from previous year.
2. Appropriation Bill (No. 1) 2015-16.
3. Estimated opening balance for special account.
4. Excludes monies held on behalf of Foreign Governments
5. Direct appropriation in 2014-15 for Workforce and Operating Expenses.
6. Appropriation receipts from Defence credited to the DMO's special account.

Reader Note: All figures are GST exclusive

Table 81: DMO Cost Summary 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
EXPENSES					
Employees	522,018	-	-	-	-
Suppliers[1]	11,945,304	-	-	-	-
Grants	10,470	-	-	-	-
Depreciation and amortisation	1,326	-	-	-	-
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other Expenses	-	-	-	-	-
Total expenses	**12,479,118**	**-**	**-**	**-**	**-**
Income					
Revenues					
Goods and services	11,564,830	-	-	-	-
Other revenue	34,605	-	-	-	-
Total revenue	**11,599,435**	**-**	**-**	**-**	**-**
Gains					
Reversal of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	**-**	**-**	**-**	**-**	**-**
Total Income	**11,599,435**	**-**	**-**	**-**	**-**
DMO	**879,683**	**-**	**-**	**-**	**-**

Notes

1. Includes Military Workforce costs of $174.1m

Table 82: Cost Summary 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
EXPENSES					
Employees	-	509,695	495,142	488,294	494,664
Suppliers[1]	-	286,283	361,626	399,773	417,257
Grants	-	8,599	9,870	8,598	8,825
Depreciation and amortisation	-	1,346	1,380	1,415	1,450
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other Expenses	-	-	-	-	-
Total expenses	**-**	**805,923**	**868,018**	**898,080**	**922,196**
Income					
Revenues					
Goods and services	-	-	-	-	-
Other revenue	-	917	2,596	963	2,727
Total revenue	**-**	**917**	**2,596**	**963**	**2,727**
Gains					
Reversal of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	**-**	**-**	**-**	**-**	**-**
Total Income	**-**	**917**	**2,596**	**963**	**2,727**
DMO	**-**	**805,006**	**865,422**	**897,117**	**919,469**

Notes

1. Includes Military Workforce costs of $181.9m in 2015-16, $237.1m in 2016-17, $241.4m in 2017-18 and $244.8m in 2018-19.

Table 83: Expenditure on behalf of other Defence Groups

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
Acquisition					
Capital	5,689,729	6,246,331	5,551,692	6,699,344	9,008,773
Operating	408,928	672,653	628,274	654,746	829,648
Total Acquisition	**6,098,657**	**6,918,984**	**6,179,966**	**7,354,090**	**9,838,421**
Sustainment					
Capital	1,029,091	995,055	1,032,693	1,003,358	1,001,277
Operating	4,437,082	4,745,621	4,738,877	5,091,591	5,540,977
Total Sustainment	**5,466,173**	**5,740,676**	**5,771,570**	**6,094,949**	**6,542,254**
Total expenses	**11,564,830**	**12,659,660**	**11,951,536**	**13,449,039**	**16,380,675**

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 related matters.

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 2015-16, 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 capability 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 Procurement, 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:

- implement the DMO-related reforms associated with the Defence First Principles Review,
- provide independent assurance and trusted expert advice to the Government and Defence on materiel acquisition and sustainment
- deliver Defence industry programmes and inform the development of the Defence Industry Policy Statement
- perform the role of the Defence Business Domain Process Owner for Procurement Policy and Procurement Professionalisation
- streamline internal policy and process
- 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.

STRATEGY HIGHLIGHT: DMO Change Priorities 2015-16

The four DMO change priorities from 2014-15 have been refined and will be further pursued in 2015-16 through targeted actions. The change priorities for 2015-16 are:

1. Deliver acquisition and sustainment more efficiently
Use the DMO resources more efficiently to deliver approved acquisition and sustainment services to the ADO. The DMO will continue to pursue reform activities consistent with the Government's reform agenda, including: a more commercially astute and focused delivery of materiel; removing unnecessary administrative burdens for organisations dealing with the DMO; and rationalising enabling services in the DMO.

2. Implement Government-directed review recommendations
Proactively engage with all elements of Defence and the other Government departments to implement Government directed recommendations applicable to the DMO.

3. Streamline internal processes
Streamline internal policies and processes to empower greater delegation of both decision making and accountability.

4. Reform the DMO
Develop and implement a DMO reform program that draws together Review recommendations and initiatives to put in place a new DMO operating model without compromising continuity in delivery of essential DMO outcomes. In parallel, enhance the skill and diversity of the DMO workforce and collaborate with Defence industry to support the new operating model.

Some key activities planned to enact the 2015-16 change priorities include:

1. Shared Services Implementation
The DMO will actively support and best utilise broadened Defence shared services.

2. Inventory Reform
The DMO will continue to pursue inventory reform through: ongoing collaboration with defence industry; improving the DMO capacity to forecast inventory demand; and increasing the use of electronic purchasing arrangements.

3. Deregulation Action Network/Cutting the Red Tape
The DMO will continue to support the Government Deregulation Action Network to 'cut red tape' through a range of procurement-related activities. These include: progressive transition from physical to electronic tendering; standardising the approach to Performance Based Contracting (PBC); simplifying the requirements of the Australian Standard for Defence Contracting (ASDEFCON) Support and Strategic Materiel templates; and streamlining tender evaluation and approval timelines.

Outcome Expenses and Resource Statement

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

Table 84: Budgeted Expenses and Resources for Outcome 1

Outcome 1: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	**2014-15 Estimated Actual $'000**	**2015-16 Budget Estimate $'000**
Programme 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation[1]	302,054	-
Special Accounts	6,098,657	-
Expenses not requiring appropriation in the Budget year[2]	7,191	-
Total for Programme 1.1	**6,407,902**	**-**
Programme 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation[1]	479,760	-
Special Accounts	5,466,173	-
Expenses not requiring appropriation in the Budget year[2]	15,259	-
Total for Programme 1.2	**5,961,192**	**-**
Programme 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation[1]	97,869	-
Special Accounts	894	-
Expenses not requiring appropriation in the Budget year[2]	11,261	-
Total for Programme 1.3	**110,024**	**-**
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation[1]	879,683	-
Special Accounts	11,565,724	-
Expenses not requiring appropriation in the Budget year[2]	33,711	-
Total Expenses for Outcome 1	**12,479,118**	**-**
	2014-15	2015-16
Average Staffing Level (number)[3]	**4,482**	**-**

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1)" and "Retained Revenue Receipts under s74 of the PGPA Act 2013"".

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

3. Average staffing levels do not include military staff posted to the DMO, as military staff remain employees of the Department of Defence and are included in its staffing.

Contributions to Outcome 1

Programme 1.1: Management of Capability Acquisition

Programme 1.1 Objective

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 during that year.

The planned resource use for Programme 1.1 is $7,200.8m in 2015-16 which represents approximately 53 per cent of the DMO's total expenses.

The planned resource use for Programme 1.1 includes:

- the DMO major capital investment programme of $6,782.4m, which comprises the Approved Major Capital Investment Programme of $6,157.9m and $624.5m of work planned to be approved during 2015-16
- the DMO minor capital investment programme of $136.6m, including the approved minor programme of $31.3m and $105.3m of work planned to be approved during 2015-16
- $281.8m relating to Acquisition Workforce and Operating Expenses.

Table 85: Programme 1.1 Management of Capability Acquisition

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	6,098,657	-	-	-	-
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	302,054	-	-	-	-
Expenses not requiring appropriation in the Budget year[1]	7,191	-	-	-	-
Total Programme Expenses	**6,407,902**	**-**	**-**	**-**	**-**

Note

1. Expenses not requiring appropriation is made up of resources received free of charge.

Table 86: Capability Acquisition Programme

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Capital	-	6,246,331	5,551,692	6,699,344	9,008,773
Operating	-	672,653	628,274	654,746	829,648
Total Acquisition	**-**	**6,918,984**	**6,179,966**	**7,354,090**	**9,838,421**
Workforce and Operating Expenses	-	281,830	320,056	340,969	343,296
Total Programme Expenses	**-**	**7,200,814**	**6,500,022**	**7,695,059**	**10,181,717**

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 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 87. A status update on other major projects that were included in the Top 30 list in previous years is provided at Table 89. 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 90.

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 2015-16*.

Top 30 Acquisition Projects by 2015-16 Forecast Expenditure

The following table lists the Top 30 Government approved major projects by forecast expenditure for 2015-16. 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 2015-16, the ten largest projects within the Top 30 list are forecast to constitute 61 per cent of the DMO's total forecast acquisition expenditure for 2015-16 (predicted on the forecast outcome for 2014-15).

Table 87: Top 30 Acquisition Projects by 2015-16 Forecast Expenditure (Gross Plan)

	Project Number/ Phase	Approved Project Expenditure $m	Estimated Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m
General Manager Joint, Systems and Air				
Aerospace Systems				
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	3,569	1,189	890
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	3,968	606	717
Heavy Airlift - Additional C-17A	AIR 8000 Phase 4	1,375	790	261
Battlefield Airlift - Caribou Replacement	AIR 8000 Phase 2	1,369	696	230
Lead-In Fighter Capability Assurance Program	AIR 5438 Phase 1A	270	116	68
Air to Air Refuelling Capability	AIR 5402	1,823	1,695	67
AEW&C Interoperability Compliance Upgrade	AIR 5077 Phase 5A	106	36	51
Electronic Systems				
Battlefield Command Systems	LAND 75 Phase 4	354	178	102
Wideband Transportable Land Terminals	JP 3008 Phase 5B1	197	24	81
Maritime Communication Modernisation	SEA 1442 Phase 4	442	44	71
Anzac Electronic Support System Improvements	SEA 1448 Phase 4A	278	69	69
Civil Military Air Traffic Management System (CMATS)	AIR 5431 Phase 3	731	25	63
C-130J Large Aircraft Infrared Countermeasures (LAIRCM)	AIR 5416 Phase 4B2	222	33	46
Deployable Defence Air Traffic Management and Control System (DDATMCS)	AIR 5431 Phase 2	191	29	41
Helicopters, Tactical Unmanned Areial Systems and Guided Weapons				
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	3,419	1,469	546
Multi Role Helicopter	AIR 9000 Phase 2	3,748	2,698	212
Evolved Seasparrow Missile (ESSM) Upgrade	SEA 1352 Phase 1	374	58	97
Helicopter Aircrew Training System	AIR 9000 Phase 7	474	52	67
Medium Lift Helicopter	AIR 9000 Phase 5C	634	388	63
Joint Strike Fighter				
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/B	15,181	748	463
General Manager Land and Maritime				
Air Warfare Destroyer				
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,891	5,987	746
Land Systems				
Overlander - Medium Heavy Capability, Field Vehicles, Modules and Trailers	LAND 121 Phase 3B	3,388	149	205
Redfin - Phase 1B	JP 2097 Phase 1B	335	100	122
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3	1,016	736	120
Mounted Combat Reconnaissance Capability	LAND 4000 Phase 2	117	1	73
Soldier Enhancement Version 2 - Survivability	LAND 125 Phase 3B	183	25	62
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,251	985	49
Maritime Systems				
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,091	2,725	146
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	679	548	59
General Manager Submarines				
Future Submarines				
Future Submarine - Acquisition	SEA 1000 Phase 1A	297	132	87
Total -Top 30 Projects (Gross Plan)		**56,972**	**22,332**	**5,873**
Other Approved Project Gross Plans		66,161	60,535	832
Total - Approved Projects (Gross Plan)		**123,133**	**82,867**	**6,705**

Table 88: Major Capital Investment Programme by 2015-16 Forecast Expenditure

		2015-16 Budget Estimate $m
A	Top 30 Projects Gross Plans	5,873
B	Other Approved Project Gross Plans	832
C	**Total Gross Plan Project Estimates (A+B)**	**6,705**
D	Management Margin: Slippage[1]	-548
E	**Payments Required from Defence for the Approved Programme (C+D)**	**6,158**
F	Projects Planned for Government Consideration	625
	Total Estimated Funds Available (E+F)	**6,782**

Note
1. Management margin is an estimate of possible overall approved capital programme expenditure slippage that may occur as the 2015-16 financial year progresses.

The above table reflects the cash programmed 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 cash required for the Approved Programme (serial E). An estimate for projects that are planned for Government consideration and transfer to the approved programme during 2015-16 (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 US Government's FMS 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

Bridging Air Combat Capability (BACC) – AIR 5349 Phase 3

Prime Contractor: US Navy (USN), through a number of FMS cases (USN prime contractors the Hornet Industry Team consisting of Boeing, Northrop Grumman, Raytheon and General Electric).

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 2015-16, all 12 aircraft will complete production, with the first two aircraft rolling off the Boeing St Louis, US production line in August 2015. Aircraft flight test will also be completed this year, culminating in delivery of the aircraft and mission planning software. The ALQ-99 and training missile production will continue through the financial year.

Maritime Patrol and Response Aircraft System – AIR 7000 Phase 2

Prime Contractor: US Navy (USN), under a cooperative program (USN prime contractor Boeing).

The project is delivering eight P-8A Increment 2 Poseidon aircraft and the associated through-life support infrastructure as partial replacement of the AP-3C Orion.

During 2015-16, the production of the first four Air Force P-8A aircraft, the flight and mission crew training systems, and the mission support system, will begin. Aircrew and Mission Support System operator training will begin in the second quarter of 2016. Initial P-8A aircraft spares will also begin to arrive in Australia. The USN will also be authorised to sign contracts for the Maintenance Training Device Suite.

The key risk for this project is the timely production of the aircrew training devices and the integration of Australian engineering and logistics information systems with the equivalent USN systems.

Additional C-17A – AIR 8000 Phase 4

Prime Contractor: Boeing, through a FMS case with the US Air Force.

This project provides an additional four C-17 Globemaster III aircraft to complement the four aircraft acquired under Project AIR 8000 Phase 3, and related provisions, including an enhanced US-common electronic warfare self-protection system. The fifth and sixth C-17 aircraft are now in service with the Air Force and the seventh and eighth aircraft are on schedule for delivery in 2015. Final Operational Capability is expected in December 2017, upon installation of the enhanced US-common electronic warfare self-protection system.

Battlefield Airlift Caribou Replacement– AIR 8000 Phase 2

Prime Contractor: US Air Force (USAF) through a number of FMS cases (USAF prime contractor L-3 Communications, Platform Integration Division (L-3 PID)).

This project is acquiring ten C-27J 'Spartan' Joint Cargo Aircraft and three years interim support to replace the retired Caribou.

Delivery of the first aircraft to 35 Squadron at RAAF Base Richmond, New South Wales, is scheduled for mid 2015. During 2015-16 the focus will be on the establishment of interim FMS logistic support arrangements at RAAF Base Richmond, achievement of training throughput, delivery of additional aircraft and conduct of 35 Squadron operation test and evaluation to support IOC by the end of 2016. Work will also continue on preparations for the aircraft structure fatigue test and procurement of training aids.

Lead-in Fighter Capability Assurance Program – AIR 5438 Phase 1A

Prime Contractor: BAE Systems United Kingdom.

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 2015-16, this project will continue flight testing of the two validation and verification aircraft; complete construction of simulator facilities at RAAF Base Williamtown, New South Wales; and accept delivery of Air Combat Manoeuvring Instrumentation pods.

The key risk for this project relates to the operational implementation of the capability. Contracts have been established for the construction of new simulator facilities at RAAF Base Williamtown, and RAAF Base Pearce, Western Australia, significantly reducing the associated risk to the program.

Air to Air Refuelling Capability – AIR 5402

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

This project has delivered five Airbus A330 Multi-Role Tanker Transport (KC-30A) aircraft and the associated through-life support infrastructure for the fleet.

The project has been removed from the Project of Concern List and began the Introduction to Service of the Aerial Refuelling Boom System and updated Mission System in early 2015. During 2015-16, the project will complete the KC-30A Block Upgrade Program that will bring the aircraft fleet to a common standard configuration.

AEW&C Interoperability Compliance Upgrade – AIR 5077 Phase 5A

Prime Contractor: Boeing Defence Australia.

This project will deliver interoperability compliance upgrades to the E-7A Wedgetail Airborne Early Warning and Control aircraft and its associated support systems.

During 2015-16, this project will implement risk reduction activities that will develop mission computing and Identification Friend or Foe design information for future project approval consideration by Government.

Electronic Systems

Battlefield Command Systems – LAND 75 Phase 4

Prime Contractor: Not in contract.

This project 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, Battle Management System, and introduce equipment into a second brigade plus the supporting elements.

In 2015-16 the project will complete the majority of vehicle installations based on the designs delivered under LAND 75 Phase 3.4, and complete the design for integration into the M113AS4 (Armoured Personnel Carriers) vehicles.

The project will also finalise first to second pass risk reduction activities, including concept demonstrators, that will generate the information required for a future project approval consideration by government.

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

Military Satellite Capability – Wideband Terrestrial Infrastructure – JP 2008 Phase 5B1

Prime Contractor: Raytheon Australia.

Tranche 1 of this project will deliver small, medium and large sized transportable satellite terminals for the ADF units and introduces into service an advanced waveform modem with the associated spares.

The satellite terminals will expand the use of the Wideband Global SATCOM (WGS) system by introducing these WGS certified terminals to the ADF land forces.

During 2015-16 the initial terminal acceptance testing and delivery will be achieved. The system level verification and the centralised monitoring and control system verification are scheduled for 2016-17.

The key risks for the project are the WGS certification of the advanced waveform modems, the conformance to Australian electrical standards, and the completion of the engineering reviews.

Maritime Communications Modernisation – SEA 1442 Phase 4

Prime Contractor: Selex ES Ltd.

This project will upgrade the communications capability in the Anzac Class Frigates. The modernised capability will include improved communications management system, secure voice and tactical intercom system, secure switching, tactical radio systems, and a high data rate line of sight capability. Shore based integration and training systems will also be provided.

During 2015-16, this project will finalise each of the sub-system designs and progress system level integration in preparation for First of Class installation.

The key risks for this project are timely availability of the ships for installation, other system installations in the Anzac ship concurrent with this project's installation, system of systems integration of the modernised communication system, and integration into the complex electromagnetic environment of the Anzac Class Frigates.

Improved Tactical Electronic Support Capability for ANZAC Class – SEA 1448 Phase 4A

Prime Contractor: Exelis Inc.

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

The project successfully completed Factory Acceptance Testing of the first system in March 2015. Delivery of production systems and installation of the capability across the Anzac Class including land based support facilities will commence in the third of quarter 2015.

Civil Military Air Traffic System (CMATS) – AIR 5431 Phase 3

Prime Contractor: Not in Contract.

This project will provide the Defence element of a single national Civil Military Air Traffic Management System (CMATS) being progressed jointly under the OneSky program with Airservices Australia. Airservices Australia is the lead agency for the OneSky program. The CMATS will provide operational benefits and efficiencies for military and civil airspace users, and reduced acquisition and support costs for Airservices Australia and Defence. The scope includes 12 Air Traffic Management automation systems, communications infrastructure, training systems, and Defence's share of a Joint Software Support Facility.

An Advance Work Supply Arrangement Deed of Standing Offer (AWSA) was signed on 27 February 2015 by Thales Australia and Airservices Australia to allow critical path activities associated with requirements determination for Defence and Airservices Australia, and accelerated deployment of Airservices Australia voice systems to be progressed in 2015-16. A supporting collateral deed was signed by Thales, Airservices Australia and Defence.

C-130J Large Aircraft Infrared Countermeasures (LAIRCM) – AIR 5416 Phase 4B2

Prime Contractor: US FMS case with the USAF.

This project will provide the Air Force C-130J with the Large Aircraft Infrared Counter Measures (LAIRCM) system, to enhance the Electronic Warfare Self Protection of the aircraft. The LAIRCM capability design, 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.

The Project Systems Requirements Review was conducted in February 2015 ahead of the first aircraft induction, planned for December 2015 at the Lockheed Martin Greenville SC facility. The program stakeholders have agreed to consider various options to expedite the aircraft modification schedule to support operations, with the intent to modify the first four aircraft in the USA earlier than the current IOC plan projects.

The key risk for this project is contractor performance maintaining the project plan, particularly with respect to the activities leading to the first aircraft induction.

Fixed Defence Air Traffic Control Surveillance Sensors – AIR 5431 Phase 2

Prime Contractor: Not in contract.

This project will provide new radars and Automatic Dependent Surveillance - Broadcast sensors to replace the aging radars located at nine Defence airfields. The new radars and ADS-B sensors will support Defence Air Traffic Management, and provide data to Defence's Air Battle Management systems and Airservices Australia.

Initial design work is planned to commence during 2015-16.

Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons

Future Naval Aviation Combat System (FNACS) – 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 the project will replace the current fleet of 16 S-70B-2 Seahawk 'Classic' helicopters.

The acquisition of the Romeos will enable the 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.

The project remains on schedule and budget. During 2015-16 a further 11 aircraft will be delivered to the Navy, bringing the total number of aircraft in inventory to 22. The main focus in 2015-16 will be to achieve IOC at sea. The final two aircraft are scheduled for delivery in early 2016-17.

The Australian Unique Modification program will be prototyped by Sikorsky in the US and will complete testing by the end of March 2016. The modifications will then be progressively retrofitted into the Australian Romeo fleet by 2020.

Multi-Role Helicopter (MRH) – AIR 9000 Phase 2

Prime Contractor: Airbus Group Australia Pacific (formerly Australian Aerospace).

Project AIR 9000 Phase 2, 4 and 6 is acquiring a total of 47 Multi Role Helicopters (MRH90) for the Army and the Navy: Phase 2 acquires 12 MRH90 for an additional Army air mobile squadron; Phase 4 replaces the Black Hawk fleet; and Phase 6 replaces Navy Sea Kings.

During 2015-16 the project is scheduled to accept a further six production aircraft, bringing the total number of aircraft in inventory to 40. A retrofit program which upgrades the initial 13 aircraft to the final contracted configuration will also complete during the year. The aircraft have achieved IOC in both the Army and the Navy and the focus this year will continue to be on achieving the remaining operational milestones in the lead-up to the FOC in 2019.

The key risk for the project is the remediation of technical and supportability issues associated with the achievement of operational milestones.

Evolved Sea Sparrow Missile Upgrade - SEA 1352 Phase 1

Prime Contractor: Raytheon Missile Systems through the North Atlantic Treaty Organisation Seasparrow Consortium.

This project seeks to upgrade the Navy's existing Evolved Sea Sparrow Missile (ESSM) capability to ensure that the surface combatant force can defeat the evolving regional anti-ship missile threat. An upgraded ESSM is notionally being described as the ESSM Block 2. This project achieved first pass in 2014.

During 2015-16 Australia will contribute financially to the development of the ESSM Block 2 through the NATO Seasparrow Consortium and will continue ship and facility integration studies in preparation for intermediate pass.

The key risk for this project is the timely progression of missile engineering and manufacturing development activities, and the finalisation of missile design.

Helicopter Aircrew Training System – JP [AIR] 9000 Phase 7

Prime Contractor: Boeing Defence Australia.

The new Helicopter Aircrew Training System is being delivered through the project will provide a new Joint training system to prepare the Navy and the Army aircrew for conversion to operational helicopter aircraft. The project will replace the current systems based on Squirrel and Kiowa helicopters.

The acquisition of 15 EC135 helicopters, associated synthetic training systems, courseware, training services and a new training facility at HMAS Albatross, New South Wales, will enable the training of up to 130 military aircrew candidates a year with the first pilot student course commencing in 2018.

During 2015-16 Boeing Defence Australia will complete the training system design and focus on development of the training devices and courseware.

The key risk is coordination of the facilities construction schedule with the delivery of key support elements, such as the first flight simulator, to commence aircrew instructor training in early 2017.

Medium Lift Helicopters – AIR 9000 Phase 5C

Prime Contractor: Boeing Military Aircraft through US FMS Sale case with the US Army.

The project is acquiring seven CH-47F Chinook helicopters, to replace six CH-47D Chinook helicopters currently in Army service, and two Transportable Flight Proficiency Simulators. The Chinook provides the Army with its medium-lift battlefield support capability. The new helicopters will be based at the 5th Aviation Regiment, RAAF Base Townsville, Queensland.

The final two CH-47Fs will be delivered during 2015-16, bring the total number of aircraft in inventory to the contracted seven. Both Transportable Flight Proficiency Simulators were delivered in 2014-15. The helicopters will be maintained in the US Army baseline configuration, with the principal difference being the fitment of a rotor brake to allow embarked operations from the new Canberra Class Landing Helicopter Dock ships.

During 2015-16 the project plans to achieve Australian Military Type Certification and continue qualification activities in support of the simulators, aircrew and maintainer training and undertake transition into service activities.

Joint Strike Fighter

New Air Combat Capability – AIR 6000 Phase 2A/2B

Prime Contractor: Lockheed Martin is contracted to the US 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.

The project is approved to acquire 72 JSF aircraft and supporting elements to form three operational squadrons and one training squadron.

During 2015-16 Australian pilot training will continue at the International Pilot Training Centre at Luke Air Force Base Arizona, US with the two Australian JSF aircraft currently deployed there.

Other major activity will include the contracting of Australia's next eight JSF aircraft under Low Rate Initial Production Contract 10; commencement of construction at RAAF Base Williamtown, New South Wales; and the development of a sustainment model for Australian based support.

Major risks to the program include:

- affordability (cost pressures) associated with changes to the JSF production profile
- the ongoing maturing of the JSF capability, in particular the Autonomic Logistic Information System ALIS and electronic warfare reprogramming
- the development and ramp up of the global, regional and Australian based sustainment solution
- the establishment of the required infrastructure to met the ramp up of capability, particularly at Williamtown, New South Wales and Tindal, Northern Territory.

General Manager Land and Maritime

Air Warfare Destroyer

Air Warfare Destroyer Program – 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 2015-16, this project is expected to achieve a number of key milestones including the completion of consolidation for Ship 02, Brisbane; and the keel-laying ceremony for Ship 03, Sydney. Blocks will arrive in Adelaide from BAE Systems in Williamstown, Victoria and Forgacs in Newcastle, New South Wales for Ship 03, Sydney, and construction and consolidation of blocks will continue. The AWD project will move from the interim phase of the AWD Reform Strategy to long term arrangements, which will bring a re-baselined schedule and cost to deliver against.

The key challenges for this project are to increase shipyard productivity, ensure the most efficient use of current resources, and effectively manage costs.

Land Systems

Medium and Heavy Capability (MHC), Field Vehicles, Modules and Trailers (FVMT) – LAND 121 Phase 3B

Prime Contractors:

Medium/Heavy Vehicle Capability: Rheinmetall MAN Military Vehicles Australia.

Medium/Heavy Trailer Capability: Haulmark Trailers Australia.

Bushmaster vehicles: Thales Australia.

Additional G Wagons: Mercedes Benz Australia.

This project will deliver approximately 2,700 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 flatracks will be supplied and approximately 1,700 trailers will also be acquired to enhance the payload carrying capacity.

During 2015-16, this project will be finalising contractor designs and conducting prototype verification. Introduction into service for the medium/heavy capability is on schedule to begin in late 2017.

The key risk for the project is the performance of various systems during verification to meet the Commonwealth's requirements.

Enhancements to Special Operations Capability – JP 2097 Phase 1B

Prime Contractors:

Special Operations Vehicle - Commando capability: Supacat Pty Ltd.

Suite of selected communication systems to meet networked requirements: Harris Corporation.

Mobile communications capability: Northrop Grumman M5 Network Security.

Special Operations Vehicle - Support Capability: Jankel Armouring Ltd.

This project will enhance the ADF's special operations land mobility and networked special operations capabilities. The land mobility component will deliver 89 special operations vehicles for commando operations and 22 special operations vehicles for support. The networked special operations component will deliver a range of command, control, communications, computing and intelligence sub-systems to meet special operations needs.

During 2015-16, this project will deliver a range of tactical radios and ancillary items, 32 commando vehicles and 14 remote weapon stations.

The key risk for this project is achieving the technical requirements for the mobile information and communications technology system.

Light and Lightweight Capability (LLC) Field Vehicles, Modules and Trailers – LAND 121 Phase 3

Prime Contractors:

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. The new G-Wagons, together with the trailers and a range of modules, will be used by the Army and the Air Force for training, and to support domestic security and emergency response efforts. The vehicles will also be employed on Humanitarian Assistance/Disaster Relief and low-threat operations. The project is currently in the materiel release phase of delivering to units.

During 2015-16, this project will continue to deliver vehicles and trailers to units.

The key risk for this project is the finalisation of the Command Post Mobile module requirement and meeting the subsequent schedule for production.

Mounted Combat Reconnaissance Capability – LAND 400 Phase 2

Prime Contractor: Not in contract.

This project will deliver a Combat Reconnaissance Vehicle that will replace the current Australian Light Armoured Vehicle (ASLAV).

The open Request for Tender (RFT) was released on 19 February 2015 immediately following Government announcement of first pass approval.

During 2015-16, this project will continue market solicitation activities including the shortlisting of tender responses and the commencement of risk mitigation activities with shortlisted tenderers.

The key risk for the project during 2015-16 is an extended RFT open period and/or protracted tender evaluation activities that result in delays to the commencement of risk mitigation activities.

Soldier Enhancement Version 2 – Survivability – LAND 125 Phase 3B

Prime Contractors:

Load Carriage Equipment: Australian Defence Apparel.

Protection Equipment (Body Armour): Craig International Ballistics.

Tiered Combat Helmets Tranche 1: Spearpoint Solutions and Technology.

Combat Hearing Protection Tranche 1: J Blackwood & Son.

The project will deliver modernised individual soldier survivability capabilities including enhancements to body armour and helmets, individual load carriage, eye protection and hearing protection. The capabilities will be delivered in three tranches of approximately 7,000 sets in each tranche over the period 2015 to 2017.

During 2015-16, the project will complete deliveries of the first tranche of 7,000 sets and commence deliveries of the second tranche.

The key risk for this project is meeting the ballistic protection performance requirements.

Bushranger Protected Mobility Vehicle – LAND 116 Phase 3

Prime Contractor: Thales Australia.

This project will deliver approximately 1,050 vehicles, across its five production periods, in seven variants. The vehicles provide protected land mobility to the Army's combat units and Air Force Airfield Defence Guards. The delivery of Production Period 5 vehicles commenced in July 2013 and will conclude in June 2016.

During 2015-16, this project will deliver the final of the 214 Production Period 5 vehicles and will continue with the installation of External Composite Armour mounting points to previously manufactured vehicles.

The key risk for this project is now incorporating all production line engineering changes into updated support documentation to allow project closure to proceed on schedule over 2016-17.

Maritime Systems

Amphibious Ships (LHD) Project – JP 2048 Phase 4A/4B

Prime Contractor: BAE Systems Australia Maritime.

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

LHD01 was delivered to the Navy in October 2014 and commissioned as HMAS *Canberra* in November 2014.

LHD02 Adelaide is undergoing fit out and testing at the shipyard in Williamstown, Victoria. Delivery to the Navy is to occur within the last quarter of 2015, reflecting an estimated delay of two months to original schedule. As was experienced with LHD01, delays to planned work finalisation and delivery are attributed to industry workforce capacity and capability.

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

Anzac Anti-ship Missile Defence Upgrade – 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 Systems and Saab Australia).

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 2015-16, this project will continue with the Anti Ship Missile Defence (ASMD) Follow-On Ship upgrade work on HMA Ships *Warramunga, Ballarat, Parramatta*, *Toowoomba* and *Stuart*.

The key risk for this project is the supply and efficient management of shipyard resources required to maintain schedule with three ships in the ASMD Upgrade and Refit Program at any one time.

General Manager Submarines

Future Submarine Program

Future Submarine - Acquisition – SEA 1000

Prime Contractor: Not in contract.

This project will deliver Australia's future submarine capability.

During 2015-16, this project will complete the competitive evaluation process that will inform the selection of an International Partner to work with Australia to develop a Future Submarine Capability that meets capability requirements. Proposals will be sought from potential partners for pre-concept design, options for design and build, rough order of magnitude costs and schedule, and positions on key commercial issues. The evaluation process will also seek to maximise the involvement of Australian industry in the Future Submarine Program while not compromising capability, cost, program schedule and risk.

The mobilisation of appropriate resources necessary to manage the Future Submarine Program with the international support remains a major focus for the project.

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

This table 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 2015-16.

Table 89: Current Status of Previously Reported Top 30 Projects (Projects Reported in the Last Five Financial Year)

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
General Manager Joint, Systems and Air						
Aerospace Systems						
Bridging Air Combat Capability (BACC)	AIR 5349 Phase 1	2012-13	3,327	2,787	28	Under FMS cases with the USN, the project has procured the Super Hornet capability. Phase 1 continues to provide residual spares and minor project activity including acquisition of maintenance work stands, air quality monitoring and weapons integration.
Airborne Early Warning and Control System	AIR 5077 Phase 3	2014-15	3,893	3,567	24	This project has delivered six E-7A Wedgetail Airborne Early Warning and Control aircraft and the associated ground and support systems. Initial Operational Capability was declared in November 2012 and Final Materiel Release achieved during 2014-15, with minor residual tasks transferred to sustainment for completion. During 2015-16 the project will finalise project closure.
C-17 Globemaster III Heavy Airlifter	AIR 8000 Phase 3	2014-15	1,704	1,428	9	The project procured the initial four C-17 Globemaster III for Australia. Residual project tasks will continue to be transitioned to in-service management towards the end of 2015-16 when planned activities are completed.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Hornet Upgrade Project	AIR 5376 Phase 2	2011-12	1,883	1,656	8	The Classic Hornet simulator improvement program is the final approved element of the project. This improvement program is under contract and on schedule for installation and testing during 2015, with completion in 2016 and FOC scheduled for 2017.
Airbourne Surveillance for Land Operations	JP 129 Phase 2	2012-13	97	77	1	The project has successfully delivered the majority of equipment required for the capability and has transitioned support activities to the sustainment organisation. The final equipment delivery of four One System Remote Video Terminals is planned for May 2016.
Electronic Systems						
Battlespace Communications Systems Land	JP 2072 Phase 2A	2014-15	462	297	35	The rollout of new digital radios and ancillary equipment is all but complete, with some remaining ancillaries undergoing design acceptance to enable use in specific configurations required for dismounted roles. The mature support contracts that will support the new radios through life-of-type acquired under the project phases as well as other major projects are undergoing solicitation and negotiation activities through 2015-16. Interim support arrangements will continue while this is finalised. The key risks for this project are: finalising design acceptance for the combinations of off-the-shelf equipment used by various end-users; establishment of performance based support contracts for the new fleets; and the smooth transition into sustainment in alignment with the withdrawal of legacy fleets.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
LND75Ph 3.4 Battle Management System	LAND 75 Phase 3.4	2014-15	322	219	28	This project has delivered 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 the Army. In 2015-16, this project will achieve Final Acceptance of the acquisition contract; complete transition to sustainment of the Battle Group and Below Command and Control System; and will progress project closure. The key risk for this project is completing transition into service arrangements.
High Frequency Modernisation	JP 2043 Phase 3A	2014-15	580	466	20	This project has delivered a Defence High Frequency Communications System for Defence long range communications. The Direction Finding and Signal Enhancement capability, Project Nullarbor, entered contract in 2014 and is on track to be delivered in late 2016 with most build and integration activities being conducted in 2015-16. This will include significant work to address obsolescence issues resulting from the delayed delivery of the Defence High Frequency Communications System and will include work on upgrading Voice and Data equipment to meet system Life-of-Type.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
NULKA PH5A Replenish Nulka Warstock	SEA 1397 Phase 5A	2014-15	87	60	18	This project has been replenishing the Navy's Nulka off-board anti-ship missile decoy inventory. The project is tracking to plan with contract closure expected by the second quarter of 2015. A joint project meeting with United States Navy is planned for the second quarter of 2015 where the focus will be on the transition from joint production to Nulka sustainment.
Joint Command Support Environment	JP 2030 Phase 8	2014-15	257	190	14	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. Operational Test and Evaluation has commenced and will continue during 2015-16 leading to FOC declaration. During 2015-16, this project will finalise and complete capability deliveries and undertake project closure.
Battlespace Communications System (Land)	JP 2072 Phase 1	2011-12	260	227	13	The tactical data and voice communications radios have been delivered to the units in accordance with the approved Basis of Issue. Documentation for achieving Final Operational Capability is currently in progress and is expected to be completed by mid 2015. Activities to support project closure have commenced, and are expected to be completed by end of 2015.
Indian Ocean Ultra High Frequency Satellite Communication	JP 2008 Phase 5A	2012-13	420	342	11	This project has delivered an upgraded Ultra High Frequency Satellite capability to the ADF. The associated network management system has experienced delays associated with software development. The project is working closely with the contractor to develop a mitigation plan.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	104	87	9	This project will install advanced Tactical Data Links (TDL) onto the Anzac Class Frigate and deliver Initial Common Support Infrastructure (ISCI) to test the functionality and performance of the ADF's TDL Network Management Systems. During 2015-2016, it is planned that Anzac Multi Link Upgrade to achieve Initial Operating Release and installation on further ships will continue. In addition, certification and completion of transition into service of the first two ICSI deployable systems will occur.
Battlespace Communications System (LAND)	JP 2072 Phase 3	2014-15	185	145	5	Work Package A is continuing to digitise and enhance the Command, Control and Communications systems for land tactical forces. The project is receiving the final deliveries of Tactical Data and Voice radios in preparation for installation by project LAND 75, Battlefield Management System, in quarter two of 2015. All deliveries are expected to be complete by end of quarter two of 2015. In 2015-16, the Project will be undertaking a Request for Tender process for work packages B-D.
Next Generation Satellite Communications System	JP 2008 Phase 4	2013-14	869	570	..	The six satellites that make up the Wideband Global Satellite Communications System constellation have all been launched successfully and are fully operational. The project has achieved Final Materiel Release. Work continues to manage the upgrade of the US supplied satellite control equipment. The project expects to complete transition to sustainment and project closure during 2015-16.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Dismounted Battle Group and Below C3 System	LAND 125 Phase 3A	2011-12	107	92	-	This project has delivered Dismounted Battle Management Systems including a command post system to the ADF in cooperation with LAND 75 Phase 3.4, Battle Management System, and JP 2072 Phase 1, Battlespace Communications System (Land). The focus for 2015-16 is on project closure activities
Military Satellite Capability - Wideband Terrestrial Terminals (WTT)	JP 2008 Phase 3H	2013-14	45	39	-	This project has been delayed pending an issue with electrical safety of the Wideband Terrestrial Terminals being rectified by the contractor. All of the supplies have been remediated and delivered and compliance achieved in December 2014. The project has completed the rollout to units of the first 25 terminals meeting the Initial Materiel Release (IMR) terminal deliverables requirement. Provisional Design Acceptance has been obtained and the project is in the process of delivering IMR training. Operational Test and Evaluation (OT&E) was successfully conducted in February 2015. The Project Office is preparing its application for the declaration of IMR. The OT&E report is scheduled to be released in April 2015 allowing the declaration of IOC. Final Materiel Release and FOC are scheduled to be declared in the second quarter of 2015-16.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Helicopter, Tactical Unmanned Aerial Systems and Guided Weapons						
Bridging Air Combat Capability - Super Hornet Weapons	AIR 5349 Phase 2	2014-15	302	154	15	This project is introducing into service air-to-air and air-to-ground precision guided weapons and countermeasures for the Australian Super Hornet. Service release of the AGM-154 Joint Stand-Off Weapon and AIM-120 Advanced Medium Range Air to Air Missile has been delayed and is now scheduled for 2016-17. All other weapons and countermeasures in the approved project scope have been delivered and are operational.
Follow-on Stand Off Weapon Capability	AIR 5418 Phase 1	2011-12	319	284	9	Work to finalise project deliverables is ongoing. The project will be closed in 2015-16.
Lightweight Torpedo Replacement	JP 2070 Phase 2	2013-14	342	313	8	Work to finalise project deliverables is ongoing. The project will be closed in 2016-17 following expiry of the initial In-Service Support contract.
Standard Missile-2 Conversion and Upgrade	SEA 4000 Phase 3.2	2013-14	110	62	4	In 2014-15 this project upgraded the Mark 698 missile test set at Defence Establishment Orchard Hills, New South Wales and established materiel supply arrangements through US FMS. In 2015-16 the project will begin converting the Navy's Standard Missile 2 inventory to vertical launch configuration for use in Hobart class destroyers, and upgrading these missiles from Block IIIA to IIIB configuration for improved performance.
Rotary Wing for Land Force	AIR 87 Phase 2	2012-13	2,033	1,865	2	Administrative planning activities for project closure are well advanced and project closure will be complete by the end of 2015.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
New ADF Anti-Submarine Lightweight Torpedo	JP 2070 Phase 3	2011-12	303	276	-	This project will be closed in 2015-16.
General Manager Land and Maritime						
Land Systems						
Replacement Artillery	LAND 17 Phase 1A	2013-14	345	167	22	This project has completed delivery of the Towed Howitzers and the battle management system. The Course Correcting Fuze element has been transferred to LAND 17 Phase 1C.1 Additional Lightweight Towed Howitzers, and the project will be closed in 2015.
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	164	40	16	A new tender for the Light Weight Automatic Grenade Launcher was released in July 2014 and closed for evaluation in October 2014. The evaluation process was completed in February 2015. Contract signature is scheduled to occur in June 2015. The project continues to be managed as a Project of Concern.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Mulwala Redevelopment Project	JP 2086 Phase 1	2013-14	371	362	5	This project will deliver a modernised propellant manufacturing facility at the Commonwealth owned Mulwala Munitions Factory, Victoria, 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. Plant performance testing has been completed and remaining deficiencies are being addressed by the contractor. Testing has been completed on all five propellants that the plant is required to produce. A Deed of Completion for this project has been agreed with the contractor, and Final Acceptance was awarded on 30 April 2015. Preparations for transfer of the new plant to Thales as the future operator are progressing. This project continues to be managed as a Project of Concern.
Counter - Rocket, Artillery and Mortar (C-RAM) Project	LAND 19 Phase 7A	2012-13	262	182	5	During 2015-16, this project will continue to sustain the acquired counter-rocket, artillery and mortar systems within the current project budget. The project will also support a submission to Government for the ongoing sustainment of the capability.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Digital Terminal Control System (DTCS)	LAND 17 Phase 1B	2013-14	121	94	..	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. During 2015-16, this project will confirm delivery of the final control terminal software and the support systems and the project will be closed by the end of 2015.
M-113 Upgrade	LAND 106		791	791	-	This project has delivered 431 M-113 AS4 vehicles in seven variants, Appliqué Armour and Integrated Logistic Support. The final air and sea transportation certification is complete and the project was closed in 2014-15.
Australian Protected Route Clearance Capability	JP 154 Phase 3A	2012-13	74	36	..	The project has delivered the Protected Route Clearance equipment to the Army's combat engineers and transitioned the capability to sustainment. The DMO continues to support the Army's introduction into service, including some residual work to integrate the mine roller to the in-service Bushmaster. This project will close during 2015-16.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Maritime Systems						
Anzac Anti-ship Missile Defence	SEA 1448 Phase 2B	2014-15	679	548	59	This project is being conducted concurrently with SEA 1448 Phase 2B Anzac Anti-ship Missile Defence. HMA Ships Perth, Anzac and Arunta have now completed the upgrade. During 2015-16, this project will continue with the Anti Ship Missile Defence Follow-On Ship upgrade work on HMA Ships *Warramunga*, *Ba*llarat, *Parramatta*, *Toowoomba* and *Stuart*.
Amphibious Watercraft Replacement -	JP 2048 Phase 3	2014-15	236	144	35	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 ports or prepared landing facilities. During 2015-16, this project will deliver the third batch of four landing craft to the Navy. The key risk for this project is the unavailability of the Integrated Logistics System products to meet the scheduled delivery of the third batch of four landing craft.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure $m	Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m	Status Report
Anzac Anti-ship Missile Defence	SEA 1448 Phase 2A	2014-15	387	331	25	This project will upgrade the Combat Management System and introduce an Infrared Search and Track System to the Anzac Class Frigates. During 2015-16, this project will continue with the Anti Ship Missile Defence (ASMD) Follow On Ship upgrade work on HMA Ships Warramunga, Ballarat, Parramatta, Toowoomba and Stuart. The key risk for this project is the supply and efficient management of shipyard resources required to maintain schedule with three ships in the ASMD Upgrade and Refit Program at any one time.
SM-1 Replacement Project	SEA 1390 Phase 4B	2013-14	414	346	16	Commercial support arrangements with key US Original Equipment Manufacturers are now in place to complement US FMS support for the Ship SM-2 Weapon System. MAA and project closure process to follow.
FFG Upgrade	SEA 1390 Phase 2.1	2010-11	1,453	1,374	2	The focus during 2015-16 will be the completion of the Navy-directed Panorama sonar processing solution. This will enable progression to full Operational Release and project closure in mid-2016 as planned. Panorama successfully exited critical design review in early December 2014.

Top 10 Minor Capital Investment Projects by 2015-16 Forecast Expenditure

This table lists the Top 10 Minor Projects by forecast expenditure for 2015-16. 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 90: Top 10 Approved Minor Acquisition Projects by 2015-16 Forecast Expenditure

	Project Number/ Phase	Approved Project Expenditure $m	Estimated Cumulative Expenditure to 30 June 2015 $m	Budget Estimate 2015-16 $m
Navy				
Digital Voice Recording System Equipment	NMP1822	16	12	2
Typhoon Training System for the DDG and LHD at West Head Gunnery Range (WHGR)	NMP1928	3	..	1
Army				
Protected Weapon System	AMP002.16	6	-	5
Enhanced Land Force Weapons Training Simulation System	AMP029.44	36	25	5
Kiowa Pilot Seating	AMP015.58	7	5	1
Air Force				
RAAF Deployable Catering Capability	AFM00972	15	..	10
School of Air Warfare (SAW) Training Environment Remediation	AFM01029	5	2	3
Multi-Band, Multi-Mode Radio Capability	AFM00975	5	2	3
Distributed Ground Station – Australia (Interim) (DGS AUS) (I)	AFM01025	8	2	3
Deployable Tactical Air Control and Navigation	AFM01006	6	..	..
Total - Top 10 Minor Projects		**107**	**47**	**32**

Table 91: Minor Capital Investment Programme by 2015-16 Forecast Expenditure

		2015-16 Budget Estimate $m
A	Top 10 Projects Gross Plans	33
B	Other Approved Project Gross Plans	-
C	**Total Gross Plan Project Estimates (A+B)**	**33**
D	Management Margin: Slippage	-2
E	**Payments Required from Defence for Approved Programmes (C+D)**	**31**
F	Projects Planned for Government Consideration	105
	Total Estimated Funds Available (E+F)	**137**

Top 10 Minor Project Descriptions

Navy

Digital Voice Recording System (DVRS) Capability – NMP1822

Prime Contractor: 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 2015-16, the project will complete installation in five Anzac Class Frigates.

Typhoon Training System for DDG & LHD at West Head Gunnery Range (WHGR) – NMP1928

Prime Contractor: Raytheon Australia.

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

During 2015-16, the project will complete all Typhoon Training System acceptance testing and finalise deliveries of spare parts and special tools.

Army

Protected Weapon System – AMP002.16

Prime Contractor: Thales Australia.

This project will deliver the initial requirement for 45 upgraded remote weapon stations for Defence's fleet of Protected Mobility Vehicles to allow Army to better define its future requirements for Protected Weapon Stations (PWS). This upgrade to the PWS will improve sensor range and resolution, mobile engagement capabilities and automatic target tracking.

During 2015-16, this project will equip the first of two combat brigades with upgraded PWS to commence capability evaluation by quarter one of 2015-16. The project will complete deliveries and close by quarter four of 2015-16.

Hardened and Networked Army (HNA)/Enhanced Land Force (ELF) Weapons Training Simulation System (WTSS) Fitout – 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 2015-16, the project will finalise deliveries of a new and enhanced simulation capability for the 12.7mm Heavy Machine Gun, 9mm pistol, 81mm Mortar and Carl Gustav 84mm Medium Direct Fire Support Weapon.

Kiowa Pilot Seating – AMP015.58

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

The project integrates commercial-off-the-shelf pilot seats into 23 Kiowa helicopters. The project addresses the restrictions imposed by the current pilot seated height limits and also incorporates design features which enhance the level of crash protection for aircrew. A total of 12 aircraft will have undergone modifications by the end of 2014-15, with the remaining 11 aircraft expected to complete their modifications in 2015-16.

Air Force

Deployable Catering Capability – AFM00972

Prime Contractor: Global Defence Solutions Pty Ltd.

This project will deliver three Deployable Catering systems. Each system includes a containerised kitchen capable of feeding 500 personnel and a smaller in-flight kitchen capable of cooking 120 specialised meals, together with a drinkable/waste water reticulation system.

During 2015-16, this project will deliver the first trial system in quarter one of 2016.

School of Air Warfare (SAW) Training Environment Remediation – AFM01029

Prime Contractor: Cirrus Real Time Processing Systems (Cirrus).

The project will update the Synthetic and Airborne Navigation Training (SNT/ANT) devices operated by the School of Air Warfare, Victoria, and will provide a new Part Task Trainer capability. Updates to the SNT and ANT devices include: Inverse Synthetic Aperture Radar simulation, Search and Survivor Assistance simulation, improved Electro-Optic and Infra-Red simulation, improved Human-Machine Interface, and an improved front cockpit right hand seat training environment.

During 2015-16 the project will continue design, development and production tasks to achieve FOC in May-July 2016.

Multi-Band Multi-Mode Radio Capability – AFM00975

Prime Contractor: No Prime Contractor. The Project Office is the Prime Systems Integrator.

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.

The Project Office will deliver 31 Single Radio Integrated Base-station Systems to the Air Force units in 2015-16.

Distributed Ground Station – Australia (Interim) – AFM01025

Prime Contractor: Not in contract.

This project will deliver the Distributed Ground System – Australia (Interim) System that will provide a limited capability for multi-source, multi-disciplinary, time-dominant Processing, Exploitation and Dissemination (PED) for Defence airborne Intelligence Surveillance Reconnaissance assets in direct support of the ADF and Allied operations and exercises. The minor project will develop and test operating concepts and build expertise in distributed PED operations.

During 2015-16, the project will complete preliminary and detailed design phases and commence build, integration and implementation.

Deployable TACAN – 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 the Air Force's current fleet of portable TACAN systems.

The responses to an initial tender significantly exceeded budget and the project was delayed while an appropriate way forward was agreed by the DMO and the Air Force.

During 2015-16, 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.

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 (MSA).

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 $6,185.1m in 2015-16 which represents approximately 46 per cent of the DMO's total expenses.

The planned resource use for Programme 1.2 includes:

- sustainment services of $5,182.1m
- support for current ADF operations of $357.2m
- sustainment workforce and operating expenses of $444.4m
- Net Operating Costs of $201.3m in support of new capabilities expected to enter service.

Table 92: Programme 1.2 Management of Capability Sustainment

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	5,466,173	-	-	-	-
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	479,760	-	-	-	-
Expenses not requiring appropriation in the Budget year[1]	15,259	-	-	-	-
Total Programme Expenses	**5,961,192**	**-**	**-**	**-**	**-**

Note

1. Expenses not requiring appropriation is made up of resources received free of charge.

Table 93: Programme 1.2 Capability Sustainment Programme

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Capital	-	995,055	1,032,693	1,003,358	1,001,277
Operating	-	4,745,621	4,738,877	5,091,591	5,540,977
Total Sustainment	-	**5,740,676**	**5,771,570**	**6,094,949**	**6,542,254**
Workforce and Operating	-	444,393	464,543	461,975	468,604
Total Programme Expenses	**-**	**6,185,069**	**6,236,113**	**6,556,924**	**7,010,858**

Programme 1.2 Deliverables

Key deliverables are specified under each MSA, and the Top 30 sustainment products are discussed under the product headings in the following text. There are currently seven MSAs incorporating 118 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 2015-16 Forecast Expenditure

Table 94: Top 30 Sustainment Products by End of Financial Year Outcome 2015-16

	Budget Estimate 2015-16 $m
General Manager Joint, Systems and Air	
Aerospace Systems	
F/A-18A Hornet Weapons System	243
Airborne Early Warning and Control	214
F/A-18F Super Hornet Weapons System	180
C130J-30 Weapons System	125
P-3C/AO-3C Orion Weapons System	120
Lead-In Fighter Hawk 127 Weapons System	89
C-17 Heavy Air Lift Weapons System	79
KC-30A Weapon System	67
PC-9/A Weapon System	51
Special Purpose Aircraft Weapons System	50
Electronic Systems	
Wide Area Survllance Capability	101
Battlespace Communication System	55
Command & Intelligence Systems	54
Tactical Electronic Warfare Fleet	51
Helicopters, Tactical Unmanned Areial Systems and Guided Weapons	
Guided Weapons - Navy, Army, Air Force	201
Multi Role Helicopter - MRH90	161
Armed Reconnaissance Helicopter Weapons System	119
MH-60R Seahawk Romeo Helicopter	97
S-70B-2 Seahawk Weapons System	52
General Manager Land and Maritime	
Land Systems	
Munitions - Navy, Army, Air Force	304
ADF Clothing	79
ADO Commercial Vehicle Fleet	68
General Service B Vehicle Fleet	61
Health Systems	53
Maritime Systems	
ANZAC Class Frigate	343
Adelaide Class Frigate	138
Canberra Class Landing Helicopter Dock (LHD)	92
Auxiliary Oiler Replenishment	75
Mine Hunter Coastal	53
General Manager Submarines	
Collins Submarine Management Program	
Collins Class Submarines	521
Total - Top 30 Products	**3,893**
Other Approved Sustainment Product Estimates	1,289
Total Sustainment Product Funds Available	**5,182**
Support to Operations	357
Total Sustainment and Operations Funding	**5,539**

Top 30 Sustainment Product Descriptions

General Manager Joint, Systems and Air

Aerospace Systems

Aerospace Systems Division (ASD) 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.

Key challenges for ASD in 2015-16 include supporting ageing platforms such as the AP-3C Orion and the PC9.

During 2015-16, the major objectives for sustainment include:

- supporting operationally deployed weapon systems such as the F/A-18A/B, E-7A and C-130J aircraft,
- maturing the in-service support arrangements for the KC-30A fleet, and
- supporting the expansion of C-27J operations in Australia.

Aerospace Systems Products

F/A-18 A/B Classic Hornet Weapon System – CAF02

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.

During 2015-16, the focus will be on simultaneously sustaining a mature flying rate of effort and a demanding deployment tempo supporting Operation OKRA, as well as continuing to partner with the Air Force and industry to finalise the plans and contracts that will sustain the capability to retirement in 2021-22. An extension to the Classic Hornet Spares and Repairs Support Contract will be completed late 2015; and the Hornet Usage Monitoring contract will be extended and amended to include the Growler aircraft.

The major challenge in supporting the Classic Hornet is parts obsolescence and the increased maintenance requirements of an ageing aircraft fleet. Other challenges include continued effort to ensure structural integrity of the aircraft through to retirement.

E-7A Airborne Early Warning and Control Capability System – CAF20

The Airborne Early Warning and Control weapon system comprises six aircraft, associated simulators and software laboratories. Boeing Defence Australia as the prime contracting partner together with Boeing Defence Systems, Northrop Grumman Systems Corporation and British Aerospace Engineering Systems Australia provide a performance based support arrangement for engineering, training, supply support and maintenance in order to support the capability.

During 2015-16 the focus will be on further improving the commercial arrangement with contracted industry partners through an annual performance review. The review will improve alignment of the contracted performance management framework with the capability requirements as specified by the Air Force. The improvements will also focus on activities associated with support to operational activities including the refinement of Fly Away Kits and supply support arrangements.

F/A-18F Super Hornet Weapon System – CAF21

Twenty-four F/A-18F Block II Super Hornet aircraft are operated by 82 Wing Squadron in support of air combat capability requirements. The Super Hornet achieved FOC in December 2012. Raise, train and sustain support requirements and operational targets continue to be met.

During 2015-16, efforts will focus on: reconstituting the capability following the Operation OKRA deployment, continuing to focus on enhancing the existing support arrangements in response to the extension of the planned withdrawal date and the expansion of the fleet to include 12 new Growler aircraft, and the implementation of deeper maintenance and spiral development capability upgrades.

C-130J-30 Weapon System – CAF06

The C-130J fleet consists of 12 aircraft and one Level 5 full flight mission simulator. The C-130J is supported by two prime performance based contracts. Airbus Group Australia Pacific provides intermediate and deeper level maintenance, logistics and engineering support for the aircraft, and StandardAero provides similar for the propulsion system.

During 2015-16, the focus will be on: continuing to deliver improvements to C-130J training system through upgrades to the full flight mission simulator and considering the procurement of a loadmaster and maintainer training device that will reduce the need to use on-line aircraft for training requirements, procurement and certification of crashworthy loadmaster seating for the fleet, and delivery and service release of the Link-16 enhanced communications system.

AP-3C (EW) - CAF04

The AP-3C Weapon System includes 16 aircraft and a range of ground based systems. Airbus Group Australia Pacific, BAE Systems and Raytheon Australia are the key industry partners providing deeper maintenance, engineering and logistics support to the capability.

During 2015-16, the AP-3C 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.

AP-3C sustainment continues to enable achievement of an intense flying program while the P-3 remains heavily tasked on operations in northern Australia. Fleet disposal through harvesting of spares and subsequent destruction of airframes to scrap will continue in 2015-16. Re-utilisation of spares from the first three airframes disposed of in 2014-15 has reduced the need for spares procurement, eased critical item management and improved supportability of the remaining AP-3C aircraft in the fleet.

Lead-In Fighter Hawk Weapon System – CAF03

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.

During 2015-16 major activities include: the finalisation of the fleet corrosion control and re-paint program, and planning the modification effort for introduction of AIR 5438 Phase 1A – Lead-In-Fighter Capability Assurance Program. Negotiations are well advanced for the future transfer of operational maintenance from the Air Force to BAE Systems.

C-17 Heavy Air Lift Weapons System – CAF19

The C-17A weapon system currently comprises six aircraft and associated training systems. Sustainment is predominately undertaken through a range of FMS arrangements with the USAF.

During 2015-16, the focus will be on the introduction into service of two recently approved additional C-17A aircraft, bringing the total ADF C-17A aircraft to eight. A range of primarily role equipment capability upgrades to the C-17A fleet are being rapidly undertaken. Proposals to reform sustainment, training and maintenance support are also being developed. The reforms are intended to result in a better balanced and effective sustainment organisation, exploiting the synergies of a larger Australian fleet.

KC-30A Weapon System – CAF22

The KC-30A weapon system comprises five aircraft and the related training system. The KC-30A capability remains in transition from the project phase to sustainment, with fleet availability impacted by the acquisition based modification programs. All five aircraft will be fully mission capable for air-to-air refuelling from pods and boom and airlift logistics support in 2016 following completion of the modification program.

During 2015-16 the focus will be on generating fully mission capable aircraft and continuing the transition from acquisition to sustainment. Additionally, a number of reforms to the entire 'sustainment enterprise' are actively being worked to redevelop the relationship between the Commonwealth and a number of industrial entities supporting the KC-30A.

PC9/A Weapon System – CAF10

Sixty-two PC-9/A aircraft are supported by Airflite for aircraft and component maintenance, Northrop Grumman Integrated Defence Services for engine maintenance, and Pilatus for engineering support. The PC-9/A is an ageing aircraft and with a recently extended planned withdrawal date is subject to structural and systems analysis to assure ongoing airworthiness.

During 2015-16, the focus will be to continue to partner with the Air Force and industry to implement plans and contracts that will sustain the platform out to withdrawal in 2019-20.

Special Purpose Aircraft – CAF09

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. In accordance with Government direction, aircraft lease and maintenance support arrangements have been extended until mid-2017.

During 2015-16, the focus will be on ensuring the continued delivery of the Special Purpose Aircraft capability and engaging Government and the Air Force to determine capability options beyond mid-2017.

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 2015-16 include the delivery of required sustainment outcomes with growth in demand, increased obsolescence and effective use of available resources.

Key objectives for sustainment during 2015-16 include:

- transitioning to sustainment the fleet of Combat Net Radio equipment procured under JP 2072 Phase 1 and Phase 2A, Battlespace Communications (Land)
- 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 Region
- 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, South Australia 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
- developing upgrades to the core Air Force Command and Control systems
- upgrading the next generation of Air Force Deployable Local Area Networks
- supporting to the development of the Classic Hornet 25 platform upgrade Mission Planning System.

Electronic Systems Products

Wide Area Surveillance and Air Force Minor Projects – CAF13

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 2015-16, sustainment effort will: continue on a four year program to replace cooling systems that use refrigerant gas R22; continue progression of the Defence Fuel Installation Audit remediation activities at remote radar sites; and continue the JORN Priority Industry Capability Support Program which is reducing risk for the next major JORN development program. An initiative to trial the use of solar power at a remote radar site will continue.

Command Support Systems – Battlespace – CA33

This Product Schedule sustains Land-based command and control systems. During 2015-16 the focus will be on:

- supporting the Force XX1 Battle Command Brigade and Below – Blue Force Tracker (FBCB2-BFT) system which is fitted as part of the operational deployment specification for Protected Military Vehicles (PMVs)
- transitioning assets acquired by Land 75 Ph 3.4 and Land 125 Ph 3A into sustainment including (i) Battle Management System (BMS) supported by Elbit Systems; and (ii) Track Management System (TMS) supported by Northrup Grumman
- withdrawing the obsolete Battlefield Command Support System (BCSS) fleet in readiness for a major fleet-wide disposal activity
- supporting the Commanders Briefing Tool (CBT). This work is contracted to SAAB Australia.

Command and Intelligence Systems Software Applications – CA40

The Deployable Command and Intelligence Systems environment comprises a range of hardware and software products to support key warfighting functions, command, control and intelligence, for land based deployed Army, Air Force and Navy components. 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 2015-16 the primary focus will be on the introduction into service of the next generation deployable Secret and Protected networks for the Army, the Navy and the Air Force. The period will also see significant effort in maintaining the health of extant systems that are rapidly approaching life of type.

ADF Tactical Electronic Warfare (EW) Fleet – CA36

Tactical Electronic Warfare Systems comprise 26 diverse products that directly support tactical electronic warfare missions. These products deliver electronic effects in the joint, maritime and land domains; and typically are man-portable or fitted to military platforms. Airbourne tactical electronic warfare products are to be transferred to CAF15, Countermeasures Development and Validation, as of July 2015, meeting a Chief of Air Force request to better align funding and capability.

The technical refresh of maritime platform mission systems and ground based capabilities continues. Technical refresh activities will address obsolescence issues and changes in target technologies.

Helicopter, Tactical Unmanned Aerial Systems and Guided Weapons

The Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons Division provides through-life support to eight Army and Navy rotary wing weapons systems; supports Army's Shadow 200 tactical unmanned aerial system; and provides and supports all of the guided weapons for Army, Navy and Air Force. Support consists of fleet-wide engineering, repair parts, contract management for deeper level maintenance, replacement of ageing and obsolescent equipment, and, where required, disposal activities.

The high priority sustainment tasks remain the support of operational deployments, including the guided weapons being employed by Air Force on Operation Okra and the embarked Seahawks in Navy ships supporting Operation Manitou.

The key challenges in 2015-16 will be continuing to improve the performance of the MRH90 and Tiger systems and transitioning elements of the guided weapons sustainment system to an out-sourced arrangement with industry.

During 2015-16, the key sustainment objectives include:

- providing ongoing guided weapons support to operationally deployed Air Force fighter aircraft
- 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 to 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 and implementing new support arrangements for the Tiger and MRH90 helicopters to improve performance and optimise cost of ownership through life
- establishing new support networks for the Seahawk Romeo and Chinook Foxtrot

Helicopter, Tactical Unmanned Aerial Systems and Guided Weapons Products

Navy, Army and RAAF Guided Weapons – CN38, CA60 and CAF33

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 2015-16, the high priority sustainment tasks will be continuing to provide guided weapons engineering and technical support to units deployed on operations while satisfying the broader raise, train and sustain demands for guided weapons. Work will also continue on outsourcing selected guided weapons maintenance, converting and upgrading of the existing missile inventory for the Air Warfare Destroyer, and remediating and upgrading of the Harpoon missile inventory.

Multi Role Helicopter Weapon System – CA48

During 2015-16, MRH90 production deliveries will expand the fleet to 40 aircraft of the 47 to be acquired. In-Service Support is provided under contract by Airbus Group Australia Pacific (formerly Australian Aerospace).

The MRH90 fleet is located at: 5th Aviation Regiment in Townsville, Queensland; Army Aviation Training Centre in Oakey, Queensland; 808 Squadron in Nowra, New South Wales; and Airbus Group Australia Pacific's deep maintenance facility in Brisbane.

The primary risk in sustainment is sub-optimal aircraft availability resulting from a conservative scheduled maintenance program. Optimisation of scheduled maintenance requirements is a key focus for 2015-16.

Work will also continue on the improvement of technical enabling services and supply/engineering support required to enable the Navy and the Army in the timely achievement of their key capability milestones.

Armed Reconnaissance Helicopter System– CA12

All 22 Tiger armed reconnaissance helicopters are in-service in the final mature configuration. In-Service Support is provided under contract by Airbus Helicopters Australia Pacific (formerly Australian Aerospace).

During 2015-16, activity will be focused on implementation contract changes, agreed with Airbus Group Australia Pacific in December 2014, to improve aircraft availability and support the Army in the achievement of the planned flying rates of effort required to attain FOC.

MH-60R Seahawk Romeo Weapon System – CN35

During 2015-16 a further nine 'Romeo' helicopters will be accepted into service, bringing the total number in service to 22.

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, is being administered via a US FMS sustainment case.

The focus for 2015-16 is supporting the growth of Seahawk 'Romeo' capability to four embarked flights. Construction of the Maritime Helicopter Support Company commercial maintenance and warehousing facility at Nowra, New South Wales, is expected to be completed by end of 2015 to support commencement of the Romeo aircraft deeper maintenance programme from mid 2016.

S-70B-2 Seahawk Weapon System – CN03

The Seahawk 'Classic' continues to perform as expected as it is progressively withdrawn from service and replaced by the new Seahawk 'Romeo'. The transition out of service continues with ten Seahawk Classics planned to be withdrawn from flying operations by June 2016. All Seahawk Classics are planned to be withdrawn by early 2018.

During 2015-16, the focus will be the ongoing careful management of the Seahawk Classic sustainment risks to maintain a viable embarked helicopter capability as the new Seahawk Romeo capability is introduced.

General Manager Land and Maritime

Land Systems

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

- armoured fighting, combat support and field engineering vehicles
- logistic service support and commercial vehicles
- radar, surveillance, electrical and simulation systems
- small arms and weapon systems
- medical and dental equipment, health systems and combat rations
- ADF clothing and personal combat equipment
- ADF munitions.

Key challenges in 2015-16 are to provide innovative, cost effective sustainment options to meet ADF outcomes with greater agility and diversification of supply.

Key objectives for sustainment in 2015-16 include:

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

Land Systems Products

Navy Munitions, Army Munitions, Explosive Ordnance - Munitions – CN37, CA59, CAF32

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 the service life of each munition; and disposal of munitions.

During 2015-16, 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
- commencement of munitions delivery under the Strategic Munitions Interim Contract, which replaces the Strategic Agreement for Munitions Supply and the Mulwala Agreement.

ADF Clothing – CA39

ADF Clothing comprises approximately 20,500 line items of personal clothing, footwear and other items manufactured by the textile, clothing and footwear industry.

During 2015-16, the key activities include:

- receiving initial deliveries of the Air Force General Purpose Jacket
- manufacturing and delivering over 113,000 Australian Multicam Combat Uniform and the Air Force's General Purpose Uniform garments
- finalising the issuing of the new Army Parade Boots to all members of the Army and commence purchasing the boots online post ANZAC Day
- continued introduction of the new General Purpose Jacket for the Army and the Air Force
- further development to enhance wearer comfort of the new Navy and Air Force parade shoes
- continued enhancement of both the combat and non-combat uniforms
- conducting ongoing procurement to meet the ADF's clothing and footwear requirements for operations as well as for raise, train and sustain activities.

Commercial Vehicle Fleet – CA19

The ADO 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 2015-16, approximately 1,400 passenger and light-medium commercial vehicles were replaced, including the purchase of 20 replacement prime movers and completion of the replacement program for the Touring Coach fleet.

During 2015-16, a continued fleet focus will be on reducing the number of vehicles that are beyond their designated life. This will be undertaken with an increased emphasis on fleet rationalisation and improvement of its overall utilisation. There are approximately 2,000 vehicles identified for replacement during this year.

General Service B Vehicle Fleet – CA45

The B Vehicle Fleet consists of both Light B and Medium/Heavy B vehicles, comprising approximately 8,500 vehicles and trailer variants. Most vehicles are being progressively replaced under Projects Land 121 and JP 2097. Land Rover variants are currently being phased out as the Mercedes Benz G Wagon variants are introduced into service. During 2014-15 approximately 1,400 vehicles and trailers were disposed. There were also 26 vehicles remediated and readied for a return to service after having been on deployed operations.

During 2015-16, the focus for the B Vehicle Fleet will be on the continued phase out of the Land Rover fleet and balancing the broader B-vehicle fleet, in conjunction with the Capability Manager, to meet the Army's Plan BEERSHEBA requirements. There is ongoing work to remediate vehicles returning from operations and planning to ensure the ADF General Service vehicle capability continues to meet requirements until replaced.

Health Capability – JHC001

The Health Sustainment Fleet provides pharmaceutical, medical and dental consumables and equipment to support ADF Health Capability requirements.

During 2015-16, the focus will be on the transition to a prime vendor for pharmaceuticals to replace the existing contract which expires in December 2016. Work will also be undertaken to investigate alternate strategies for the management of medical and dental equipment.

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 SPOs 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.

The key challenge for sustainment during 2015-16 is the implementation of change to business areas to improve waterfront outcomes; effectiveness of configuration management, maintenance planning and execution; a shift to a governance focused business, and the creation of a managed workforce to support sustainable operations

Key objectives for sustainment during 2015-16 include:

- providing ongoing support to HMAS *Choules*
- implementing the first stages of the in-service sustainment of the LHD
- focused approach to the materiel In-Service Support arrangements to support the Armidale Class Patrol Boats
- strategic reform initiatives such as implementation of a systems management approach to inventory; establish productivity and performance-based relational contracts and in partnership with industry, shift to a more governance focused enterprise
- ensuring the enduring benefits of the Rizzo Review continue by contributing to and monitoring the DMO aspects of the strategic governance arrangements
- planning and instigating the disposal of HMAS *Tobruk*
- ensuring that the remaining Anzac frigates continue through the Anti Ship Middle Defence program in accordance with the revised schedule
- establishing a new Anzac alliance support contract ensuring HMAS *Success* proceeds through the next major refit on time.

Maritime Systems Products

Anzac Class Frigate (FFH) – CN02

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 2015-16, the focus will be on the conduct of the Anti Ship Missile Defence Refit and Upgrade program for HMA Ships *Ballarat*, *Parramatta*, *Toowoomba* and *Stuart* ; preparation for the Anzac Class frigate block upgrade period, inclusive of the Platform Systems Remediation Program, Maritime Communications Modernisation Project , SEA 1442 Phase 4, and the proposed Anzac Air Search Radar Replacement SEA 1448 Phase 4B; and the implementation of a total asset management support contract that will better align Industry outputs to the Navy requirements.

Adelaide Class Frigate – CN01

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 2015-16, the focus will be on completing the scheduled ship maintenance activities for HMA Ships *Darwin*, *Newcastle*, and *Melbourne*; consolidating the FFG enterprise (the Navy, the DMO, and Industry); preparations for the decommissioning of HMAS *Sydney*; and support the training outcomes of the Navy's Harbour Training Ship initiative.

Canberra Class Landing Helicopter Dock – CN34

The scope of this product addresses the sustainment of two Canberra Class LHD ships, 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 2015-16, 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.

Auxiliary Oiler Replenishment (AOR) HMAS Success – CN13

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

During 2015-16, the focus will be on successful completion of the scheduled docking refit and ship maintenance activities for HMAS *Success* as programmed in the Force Generation Plan.

Huon Class Mine Hunter Coastal – CN14

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.

2015-2016 will see the completion of the combat system upgrade on the remaining vessels, as well as further development of the detailed designs and schedule for integration of Watermist ships fire fighting system, to replace NAF-S111 onto the Mine Hunter Coastal ships.

General Manager Submarines

Collins

Collins Class Submarines – CN10

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 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 Collins reform work currently underway with Navy's Rizzo and associated continuous improvement programs. Significant effort is ongoing to drive implementation of the Coles recommendations including major 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 2015 -16, the focus is to continue efforts to improve the availability and reliability of the CCSM against the interim 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 $79.7m representing approximately one per cent of the DMO's total expenses.

The planned resource use for Programme 1.3 primarily includes:

- workforce and operating expenses relating to the provision of policy advice and management services of $52.0m
- $26.8m relating to industry programmes
- other resources of $0.9m.

Table 95: Programme 1.3 Provision of Policy Advice and Management Services

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Special Account Expenses:					
Defence Materiel Special Account	894	-	-	-	-
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	97,869	-	-	-	-
Expenses not requiring appropriation in the Budget year[1]	11,261	-	-	-	-
Total Programme Expenses	**110,024**	**-**	**-**	**-**	**-**

Note

1. Expenses not requiring appropriation is made up of resources received free of charge.

Table 96: Programme 1.3 Policy Advice and Management Services Programme

	2014-15 Estimated Actual $'000	2015-16 Budget $'000	2016-17 Forward estimate $'000	2017-18 Forward estimate $'000	2018-19 Forward estimate $'000
Workforce and Operating	-	79,700	83,419	95,136	110,296
Total Programme Expenses	**-**	**79,700**	**83,419**	**95,136**	**110,296**

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:

- Enhancing Australian industry support to the Australian Defence Force through delivering effective Defence industry programmes and engagement in accordance with the Defence Industry Policy Statement.

The scope and funding available for Defence industry assistance and innovation programs is under review, pending policy guidance in the form of the new Defence White Paper and Defence Industry Policy Statement to be released later in 2015.

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. Defence industry programs aim to increase Australian industry's skills, capacity, productivity, innovation and commercial viability.

In 2015-16 Defence will continue to ensure that Australian companies are provided with opportunities to compete for Defence work and continue to pursue wider industry development initiatives, including through:

- regular high-level engagement with Defence industry through existing roundtable and working group mechanisms;
- the Australian Military Sales Office, including:
  - 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 contractors/suppliers
- leveraging international materiel cooperation and international Defence cooperation engagement to progress and mutually reinforce both industry and international policy objectives, including the 'Team Defence Australia' initiative which facilitates opportunities for exports by Australian Defence industry through a program of missions and trade show representation
- implementing Australian Industry Capability policy which seeks to maximise opportunities for Australian industry to compete on its merits

- other Defence industry programs aimed at supporting industry competiveness and skilling, for example: Skilling Australia's Defence Industry, Defence Engineering Internship Program, School Pathways Programs and sponsorship of Science, Technology, Engineering and Mathematics (STEM) initiatives.

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 2015-16 include:

- delivering key parts of the commercial reform program for the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates including updated and improved provisions for both commercial risk and liability; and intellectual property and technical data that are aimed at improving capability delivery and sustainment
- redeveloping the Defence Procurement Policy Manual with the aim to simplify and streamline the content and make the information contained in the manual more accessible
- implementing a range of policy and process improvements aimed at reducing the costs of tendering to both Defence and industry by reducing the amount of red tape
- 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,
- e-Procurement initiatives focused on streamlining and standardising Defence processes associated with Commonwealth procurement reporting obligations, including the delivery of enhanced management reporting on Defence contracts
- establishing the future arrangements for DMO's strategic commercial panels for the provision of legal advice and specialist support services in line with the outcomes of the First Principles Review
- development and delivery of a professionalisation program for the Defence procurement and contracting job family which will include working with industry and professional bodies such as the Chartered Institute of Purchasing and Supply Australasia (CIPSA).

Section 3: DMO 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 2015-16 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 *Public Governance, Performance and Accountability Act 2013* (PGPA Act) 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 97: Estimates of Special Account Flows and Balances

	Outcome	Opening 2015-16 2014-15 $'000	Receipts 2015-16 2014-15 $'000	Payments 2015-16 2014-15 $'000	Adjustments 2015-16 2014-15 $'000	Closing Balance 2015-16 2014-15 $'000
Defence Materiel Special Account (A & D)	1	**333,217**	**867,355**	**880,047**	**-**	**320,525**
		329,116	*12,652,678*	*12,648,577*	-	**333,217**
Total Special Accounts 2015-16		**333,217**	**867,355**	**880,047**	**-**	**320,525**
2014-15 estimated actual		*329,116*	*12,652,678*	*12,648,577*	-	*333,217*

Notes

(A) = Administered

(D) = Departmental

Opening and closing balances include monies held on behalf of Foreign Governments of $31.995m.

The Defence Materiel Special Account is due to cease on 1 October 2015 under the sunsetting provisions of the *Legislative Instruments Act 2003*.

3.1.2 Australian Government Indigenous Expenditure

The DMO actively and positively participates in the wider Departmental Indigenous Programmes. The 2015-16 Australian Indigenous Statement is not applicable to the DMO as the DMO does not have separate appropriation for DMO specific indigenous programmes.

3.1.3 Grants

The DMO's grants are paid from departmental funds and are approved by the Minister for Defence. The approved budget for the DMO's grants programme is $8.599m in 2015-16.

Table 98: Approved Grants for 2015-16

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000
Skilling Australia's Defence Industry (SADI)	5,300	5,639
Priority Industry Capability Innovation Program (PIC IP)	2,763	1,122
Industry Skilling Programme Enhancement (ISPE)	894	1,838
New Air Combat Capability Industry Support Program (NACC ISP)	1,513	
Total	**10,470**	**8,599**

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

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

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

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

<http://www.defence.gov.au/dmo/DoingBusiness/Industry/IndustrySupportPrograms/JSF-ISP/>

3.2 BUDGETED FINANCIAL STATEMENTS

As an outcome of the First Principals Review the DMO will be transitioning to new arrangements during the 2015-16 financial year under the Department of Defence. Separate Financial Statements Tables in this section are provided for the 2014-15 Estimated Actual and the 2015-16 Budget and Forward Estimates.

3.2.1 Budgeted Financial Statements Tables

Table 99: DMO Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June (2014-15 Estimated Actual)

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
EXPENSES					
Employee benefits	522,018	-	-	-	-
Supplier expenses	11,945,304	-	-	-	-
Grants	10,470	-	-	-	-
Depreciation and amortisation	1,326	-	-	-	-
Total expenses	**12,479,118**	**-**	**-**	**-**	**-**
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	11,564,830	-	-	-	-
Other revenue	34,605	-	-	-	-
Total own-source revenue	**11,599,435**	**-**	**-**	**-**	**-**
Net cost of (contribution by) services	**879,683**	**-**	**-**	**-**	**-**
Revenue from Government	879,683	-	-	-	-
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 100: Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June (2015-16 Budget and Forward Estimates)

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
EXPENSES					
Employee benefits	-	509,695	495,142	488,294	494,664
Supplier expenses	-	286,283	361,626	399,773	417,257
Grants	-	8,599	9,870	8,598	8,825
Depreciation and amortisation	-	1,346	1,380	1,415	1,450
Total expenses	**-**	**805,923**	**868,018**	**898,080**	**922,196**
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	-	805,006	865,422	897,117	919,469
Other revenue	-	917	2,596	963	2,727
Total own-source revenue	**-**	**805,923**	**868,018**	**898,080**	**922,196**
Net cost of (contribution by) services	**-**	**-**	**-**	**-**	**-**
Revenue from Government	-	-	-	-	-
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 101: DMO Budgeted Departmental Balance Sheet (as at 30 June) 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
ASSETS					
Financial assets					
Cash and cash equivalents	130,000	-	-	-	-
Trade and other receivables	503,752	-	-	-	-
Total financial assets	**633,752**	**-**	**-**	**-**	**-**
Non-financial assets					
Property, plant and equipment	5,061	-	-	-	-
Intangibles	-	-	-	-	-
Other non-financial assets	1,538,759	-	-	-	-
Total non-financial assets	**1,543,820**	**-**	**-**	**-**	**-**
Total assets	**2,177,572**	**-**	**-**	**-**	**-**
LIABILITIES					
Payables					
Suppliers	1,380,997	-	-	-	-
Grants	5,733	-	-	-	-
Other payables	130,640	-	-	-	-
Total payables	**1,517,370**	**-**	**-**	**-**	**-**
Provisions					
Employee provisions	182,035	-	-	-	-
Other provisions	3,024	-	-	-	-
Total provisions	**185,059**	**-**	**-**	**-**	**-**
Total liabilities	**1,702,429**	**-**	**-**	**-**	**-**
NET ASSETS	**475,143**	**-**	**-**	**-**	**-**
EQUITY					
Contributed equity	155,368	-	-	-	-
Reserves	290	-	-	-	-
Retained surplus (accumulated deficit)	319,485	-	-	-	-
Total parent entity interest	**475,143**	**-**	**-**	**-**	**-**
Total equity	**475,143**	**-**	**-**	**-**	**-**

Table 102: Budgeted Departmental Balance Sheet (as at 30 June) 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
ASSETS					
Financial assets					
Cash and cash equivalents	-	130,000	130,000	130,000	130,000
Trade and other receivables	-	452,151	384,757	366,663	369,942
Total financial assets	**-**	**582,151**	**514,757**	**496,663**	**499,942**
Non-financial assets					
Property, plant and equipment	-	5,061	5,061	5,061	5,061
Intangibles	-	-	-	-	-
Other non-financial assets	-	1,538,759	1,538,759	1,538,774	1,538,774
Total non-financial assets	**-**	**1,543,820**	**1,543,820**	**1,543,835**	**1,543,835**
Total assets	**-**	**2,125,971**	**2,058,577**	**2,040,498**	**2,043,777**
LIABILITIES					
Payables					
Suppliers	-	1,380,997	1,380,997	1,380,997	1,380,997
Grants	-	5,733	5,733	5,733	5,733
Other payables	-	72,723	34,166	10,701	7,027
Total payables	**-**	**1,459,453**	**1,420,896**	**1,397,431**	**1,393,757**
Provisions					
Employee provisions	-	188,351	194,873	201,607	208,560
Other provisions	-	3,024	3,024	3,024	3,024
Total provisions	**-**	**191,375**	**197,897**	**204,631**	**211,584**
Total liabilities	**-**	**1,650,828**	**1,618,793**	**1,602,062**	**1,605,341**
NET ASSETS	**-**	**475,143**	**439,784**	**438,436**	**438,436**
EQUITY					
Contributed equity	-	155,368	155,368	155,368	155,368
Reserves	-	290	290	290	290
Retained surplus (accumulated deficit)	-	319,485	284,126	282,778	282,778
Total parent entity interest	**-**	**475,143**	**439,784**	**438,436**	**438,436**
Total equity	**-**	**475,143**	**439,784**	**438,436**	**438,436**

Table 103: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2015-16)

	Retained Earnings $'000	Asset Revaluation Reserve $'000	Contributed Equity/ Capital $'000	Total Equity $'000
Opening balance as at 1 July 2015				
Balance carried forward from previous period	319,485	290	155,368	**475,143**
Adjustment for changes in accounting policies	-	-	-	**-**
Adjusted opening balance	**319,485**	**290**	**155,368**	**475,143**
Surplus (Deficit) for the period	-	-	-	**-**
Total comprehensive income recognised directly in equity	**-**	**-**	**-**	**-**
Transactions with owners				
Contributions by owners				
Appropriation (equity injection)	-	-	-	**-**
Departmental Capital Budget (DCB)	-	-	-	**-**
Consolidation into Defence	-319,485	-290	-155,368	-475,143
Sub-total transaction with owners	**-319,485**	**-290**	**-155,368**	**-475,143**
Estimated closing balance as at 30 June 2016	**-**	**-**	**-**	**-**

Table 104: DMO Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June) 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	11,719,579	-	-	-	-
Appropriations	875,595	-	-	-	-
Cash from the OPA	-	-	-	-	-
Net GST received	844,861	-	-	-	-
Other cash received	894	-	-	-	-
Total cash received	**13,440,929**	**-**	**-**	**-**	**-**
Cash used					
Employees	517,930	-	-	-	-
Suppliers	12,058,983	-	-	-	-
Grants	10,470	-	-	-	-
Cash to the OPA	-	-	-	-	-
Net GST paid	844,861	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	**13,432,244**	**-**	**-**	**-**	**-**
Net cash from (used by) operating activities	**8,685**	**-**	**-**	**-**	**-**
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	-	-	-	-	-
Total cash Received	**-**	**-**	**-**	**-**	**-**
Cash used					
Purchase of property, plant and equipment	1,313	-	-	-	-
Total cash used	**1,313**	**-**	**-**	**-**	**-**
Net cash from (used by) investing activities	**-1,313**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash held	**7,372**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the beginning of the reporting period	122,628	-	-	-	-
Cash and cash equivalents at the end of the reporting period	**130,000**	**-**	**-**	**-**	**-**

Table 105: Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June) 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	805,006	932,725	935,369	919,469
Appropriations	-	-	-	-	-
Cash from the OPA	-	12,692	-	-	-
Net GST received	-	20,736	26,101	28,685	29,927
Other cash received	-	917	2,596	963	2,727
Total cash received	**-**	**839,351**	**961,422**	**965,017**	**952,123**
Cash used					
Employees	-	522,387	485,996	481,395	487,540
Suppliers	-	286,283	361,626	399,773	417,257
Grants	-	8,599	9,870	8,598	8,825
Cash to the OPA	-	-	76,449	45,151	7,124
Net GST paid	-	20,736	26,101	28,685	29,927
Other cash used	-	-	-	-	-
Total cash used	**-**	**838,005**	**960,042**	**963,602**	**950,673**
Net cash from (used by) operating activities	**-**	**1,346**	**1,380**	**1,415**	**1,450**
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	-	-	-	-	-
Total cash Received	**-**	**-**	**-**	**-**	**-**
Cash used					
Purchase of property, plant and equipment	-	1,346	1,380	1,415	1,450
Total cash used	**-**	**1,346**	**1,380**	**1,415**	**1,450**
Net cash from (used by) investing activities	**-**	**-1,346**	**-1,380**	**-1,415**	**-1,450**
Net increase (decrease) in cash held	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the beginning of the reporting period	-	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**

Table 106: DMO Departmental Capital Budget Statement 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources[1]	1,313	-	-	-	-
Total	**1,313**	**-**	**-**	**-**	**-**
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	1,313	-	-	-	-
Total cash used to acquire assets	**1,313**	**-**	**-**	**-**	**-**

Note

1. Includes the following sources of funding:
   - annual and prior year appropriations
   - donations and contributions
   - gifts
   - internally developed assets
   - s74 Retained Revenue Receipts
   - proceeds from the sale of assets.

Table 107: Departmental Capital Budget Statement 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources[1]	-	1,346	1,380	1,415	1,450
Total	**-**	**1,346**	**1,380**	**1,415**	**1,450**
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	-	1,346	1,380	1,415	1,450
Total cash used to acquire assets	**-**	**1,346**	**1,380**	**1,415**	**1,450**

Note

1. Includes the following sources of funding:
   - annual and prior year appropriations
   - donations and contributions
   - gifts
   - internally developed assets
   - s74 Retained Revenue Receipts
   - proceeds from the sale of assets.

3.2.2 Administered Budgeted Financial Statements Tables

Table 108: DMO Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the Period Ended 30 June) 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	-	-	-	-	-
Other	250	-	-	-	-
Total Non-taxation	**250**	**-**	**-**	**-**	**-**
Total own-sourced income administered on behalf of Government	**250**	**-**	**-**	**-**	**-**

Table 109: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the Period Ended 30 June) 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	-	-	-	-	-
Other	-	250	250	250	250
Total Non-taxation	**-**	**250**	**250**	**250**	**250**
Total own-sourced income administered on behalf of Government	**-**	**250**	**250**	**250**	**250**

Table 110: DMO Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June) 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	1,502	-	-	-	-
Total Financial assets	**1,502**	**-**	**-**	**-**	**-**
Total Assets administered on behalf of Government	**1,502**	**-**	**-**	**-**	**-**
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other Payables	1,539	-	-	-	-
Total Financial assets	**1,539**	**-**	**-**	**-**	**-**
Total Assets administered on behalf of Government	**1,539**	**-**	**-**	**-**	**-**

Table 111: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June) 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	-	1,502	1,502	1,502	1,502
Total Financial assets	**-**	**1,502**	**1,502**	**1,502**	**1,502**
Total Assets administered on behalf of Government	**-**	**1,502**	**1,502**	**1,502**	**1,502**
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other Payables	-	1,539	1,539	1,539	1,539
Total Financial assets	**-**	**1,539**	**1,539**	**1,539**	**1,539**
Total Assets administered on behalf of Government	**-**	**1,539**	**1,539**	**1,539**	**1,539**

Table 112: DMO Schedule of Budgeted Administered Cash Flows (for the Period Ended 30 June) 2014-15 Estimated Actual

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash received					
Other	250	-	-	-	-
Total Cash received	**250**	**-**	**-**	**-**	**-**
Net cash from or (used by) operating activities	**250**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash held and cash equivalents held	**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	-	-	-	-
Cash and cash equivalents at end of reporting period	**-**	**-**	**-**	**-**	**-**

Table 113: Schedule of Budgeted Administered Cash Flows (for the Period Ended 30 June) 2015-16 Budget and Forward Estimates

	2014-15 Estimated Actual $'000	2015-16 Budget Estimate $'000	2016-17 Forward Estimate $'000	2017-18 Forward Estimate $'000	2018-19 Forward Estimate $'000
OPERATING ACTIVITIES					
Cash received					
Other	-	250	250	250	250
Total Cash received	**-**	**250**	**250**	**250**	**250**
Net cash from or (used by) operating activities	**-**	**250**	**250**	**250**	**250**
Net increase (decrease) in cash held and cash equivalents held	**-**	**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
Cash and cash equivalents at end of reporting period	**-**	**-**	**-**	**-**	**-**

3.2.3 Notes to the Financial Statements

Budgeted Financial Statements

The budgeted financial statements (income, balance sheet, cash flows and capital budget statement) show the revenues, expenses, assets and liabilities of the DMO. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework and reflect the planned financial performance of the DMO in delivering its 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

Funding for workforce and operating expenses received from Defence 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. 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.