

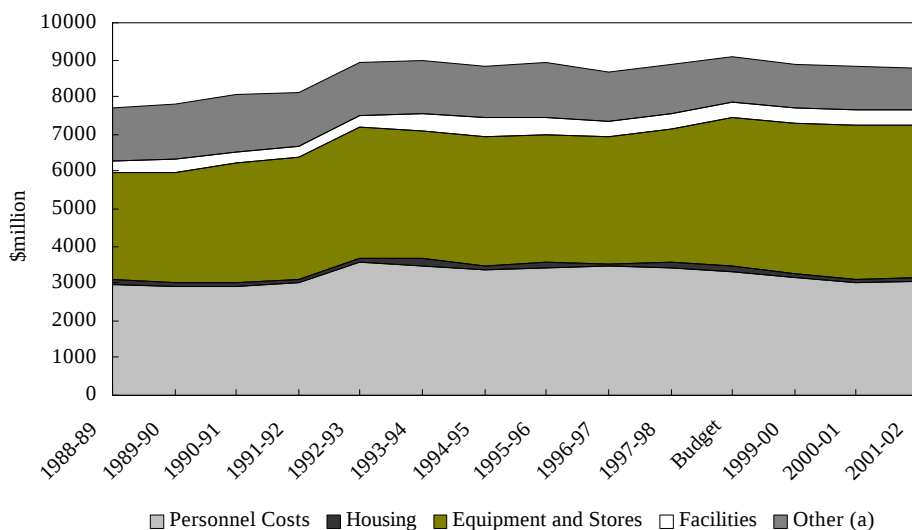
2. DEFENCE

NATURE OF OUTLAYS

The Defence function covers outlays on military equipment and technology, stores, Defence personnel and related benefits, Defence industry support and Defence administration.

Up to 1996-97, this function included outlays of the Defence and Finance and Administration portfolios. From 1997-98, all underlying Defence function outlays are transacted through the Defence portfolio.

**Chart 1. Overview of Commonwealth Outlays on Defence
(1989-90 prices)**



(a) 'Other' includes Defence Industry and Defence Science.

TRENDS IN DEFENCE OUTLAYS

Defence outlays grew between 1988-89 and 1991-92, reflecting the impact of the introduction of user charging by Commonwealth agencies, the provision of supplementary resources for Defence participation in peacekeeping activities and funding for special communications projects. The inclusion of employer superannuation costs for Defence staff who are members of Commonwealth superannuation schemes resulted in an increase in Defence outlays from 1992-93. Following 1992-93, Defence outlays reflect the 1993-94 Budget decision to apply year on year reductions to the Defence outlays base up to 1996-97. Estimates for 1997-98 onwards reflect zero real growth in Defence base outlays. However, the depreciation of the Australian dollar in 1997-98 combined with some large one-off funding adjustments results in an increase in Defence estimates for 1998-99.

Savings arising from the Commercial Support Programme have been allocated by Defence to higher priority areas. Defence also retains the proceeds from the sale of most surplus or under-utilised properties. The Government's policy is to reallocate funds from lower priority and support areas to enhance Defence's combat capabilities. This strategic policy objective is being reinforced by the Defence Reform Programme (DRP), which is implementing the agreed recommendations of the 1997 Defence Efficiency Review report, *Future Directions for the Management of Australia's Defence*.

1998-99 AND FORWARD ESTIMATES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
2.1	Personnel Costs	\$m 4034.2	4032.0	3900.4	3821.5	4004.7
		%	-0.1	-3.3	-2.0	4.8
2.2	Defence Equipment and Stores	\$m 4214.7	4848.7	5005.3	5298.8	5335.8
		%	15.0	3.2	5.9	0.7
2.3	Defence Facilities	\$m 474.0	490.9	478.9	490.2	488.0
		%	3.6	-2.4	2.4	-0.4
2.4	Defence Housing	\$m 156.4	134.0	132.8	118.9	114.8
		%	-14.3	-0.9	-10.5	-3.4
2.5	Defence Industry	\$m 23.4	19.5	18.1	17.6	17.9
		%	-16.7	-7.2	-2.8	1.7
2.6	Defence Science	\$m 186.6	187.4	193.1	204.8	207.7
		%	0.4	3.0	6.1	1.4
2.7	Other Defence Outlays	\$m 1325.3	1268.5	1284.2	1249.2	1271.1
		%	-4.3	1.2	-2.7	1.8
	TOTAL	\$m 10414.4	10981.0	11012.8	11201.1	11440.0
		%	5.4	0.3	1.7	2.1

2.1 PERSONNEL COSTS

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
	Defence Force Personnel	\$m 3271.2	3253.9	3109.9	3018.3	3183.6
		%	-0.5	-4.4	-2.9	5.5
	Civilian Personnel	\$m 762.9	778.0	790.5	803.2	821.1
		%	2.0	1.6	1.6	2.2
	TOTAL	\$m 4034.2	4032.0	3900.4	3821.5	4004.7
		%	-0.1	-3.3	-2.0	4.8

Personnel costs include both the payment of normal salaries and allowances to Defence military and civilian staff and payments of employer contributions for accruing superannuation entitlements.

These superannuation contributions include fortnightly payments to ComSuper, the receipts for which are shown in *1F. Government Superannuation Benefits*. Actual superannuation pension payments to former employees are shown in *1F. Government Superannuation Benefits*.

2.2 DEFENCE EQUIPMENT AND STORES

Outlays largely provide for an ongoing equipment procurement programme undertaken in accordance with strategic priorities. Outlays on equipment are expected to rise over the budget and forward estimates period and beyond as savings from the DRP become available for new investment.

The subfunction also provides for the acquisition of stores, including ammunition and fuel, required to maintain the operations of the Australian Defence Force (ADF).

2.3 DEFENCE FACILITIES

This subfunction covers the development of bases, airfields, communications, training and other facilities. It also includes the provision of live-in accommodation for single ADF personnel and repairs and maintenance projects costing \$0.25 million or more. It excludes housing provided through the Defence Housing Authority (DHA) under *2.4 Defence Housing*.

2.4 DEFENCE HOUSING

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Rent Payments to Defence Housing Authority	\$m	253.6	233.2	239.1	230.4	231.5
	%		-8.0	2.5	-3.6	0.5
Rent Recoveries	\$m	-100.9	-104.7	-112.7	-119.0	-124.2
	%		3.8	7.6	5.6	4.4
Other Housing Payments	\$m	3.7	5.5	6.5	7.5	7.5
	%		48.6	18.2	15.4	na
TOTAL	\$m	156.4	134.0	132.8	118.9	114.8
	%		-14.3	-0.9	-10.5	-3.4

This subfunction covers the cost of providing housing for eligible ADF personnel and their families, largely through payment of rent to the DHA which currently administers and maintains some 22,100 dwellings. Market rents charged by DHA are reviewed annually to reflect current market conditions.

Recoveries of rent paid by ADF members under the Group Rent Scheme are based on rank entitlements. Service personnel receive significant rental assistance reflected in the difference between rent payments by the Department of Defence to the DHA and rent recoveries from personnel.

2.5 DEFENCE INDUSTRY

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Defence Production	\$m	17.8	17.9	18.0	17.5	17.9
	%		0.6	0.6	-2.8	2.3
AeroSpace Technologies of Australia	\$m	4.4	1.6	-	-	-
	%		-63.6	-100.0	na	na
ADI Limited	\$m	1.2	0.1	0.1	0.1	0.1
	%		-91.7	na	na	na
TOTAL	\$m	23.4	19.5	18.1	17.6	17.9
	%		-16.7	-7.2	-2.8	1.7

Defence Production

The item assists defence industry development projects and the participation of Australian industry at various defence exhibitions in Australia and overseas.

Payments to Australian defence industries for goods and services supplied to the Department of Defence on a commercial basis are included under 2.2 *Defence Equipment and Stores*.

AeroSpace Technologies of Australia

In 1994-95, the bulk of AeroSpace Technologies of Australia Limited (ASTA) was sold by the Commonwealth. Payments arising from the Sale and Purchase Agreement for ASTA are included under this item.

ADI Limited

This item provides for assistance to ADI Limited.

2.6 DEFENCE SCIENCE

This item covers the cost of the Defence Science and Technology Organisation (DSTO), which gives advice on the application of science and technology best suited to Australia's defence and security needs.

DSTO seeks to enhance Australian use of future developments in defence-relevant technologies through developing new capabilities where Australia has special needs, and supporting existing capabilities by increasing operational performance and reducing costs of ownership. DSTO also undertakes some commercial activities and participates in a number of Cooperative Research Centres.

2.7 OTHER DEFENCE OUTLAYS

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Defence Cooperation Programme	\$m	63.6	67.4	67.4	68.3	72.1
	%		6.0	na	1.3	5.6
General Administration	\$m	1597.6	1555.5	1554.4	1552.5	1582.4
	%		-2.6	-0.1	-0.1	1.9
Recoveries and Repayments	\$m	-335.9	-354.4	-337.5	-371.5	-383.4
	%		5.5	-4.8	10.1	3.2
TOTAL	\$m	1325.3	1268.5	1284.2	1249.2	1271.1
	%		-4.3	1.2	-2.7	1.8

Defence Cooperation Programme

This programme aims to promote a favourable strategic environment for Australia through the promotion of shared security interests in the Asia-Pacific region. The programme includes training of regional students, professional exchanges, exercises and equipment and facilities projects.

General Administration

This category includes Fringe Benefits Tax, rent, office requisites, compensation and legal expenses, postage and telephones, fuel (but not fuel for Service operational activities) and payments for medical, dental and computer services.

Recoveries and Repayments

Recoveries and repayments include charges made for meals and accommodation at Defence establishments, defence-related recoveries from other governments, proceeds from the sale of under-utilised or surplus properties and reimbursements from the United Nations for part of the costs of overseas peacekeeping deployments. Receipts from sales of former Defence properties that are not attributable to the Defence function are shown under *1E. General Services* and *14E. Asset Sales*.