



## Sustainment Reporting Options Paper



## Contents

Executive Overview .....	1
Introduction .....	3
Option 1: Provision of an annual <i>in camera</i> briefing.....	5
Option 2: Expansion of sustainment reporting in the Defence Annual Report.....	6
Option 3: Expansion of the MPR to include further sustainment reporting.....	8
Option 4: Development of a new sustainment report and limited assurance review .....	9
<b>Appendix 1: Defence response to the JCPAA—Sustainment reporting, 4 December 2014 .....</b>	<b>10</b>
<b>Appendix 2: NAO <i>Major Projects Report 2014 and the Equipment Plan 2014 to 2024</i>—Extract ‘Warrier Capability Sustainment Programme .....</b>	<b>11</b>
<b>Appendix 3: Defence Annual Report—Sustainment elements .....</b>	<b>13</b>
<b>Appendix 4: Defence Annual Report (online)—Top 30 sustainment products .....</b>	<b>14</b>



## Executive Overview

On 30 September 2014, the Joint Committee of Public Accounts and Audit (JCPAA) requested the ANAO develop a detailed options paper on sustainment reporting for its consideration. While the Department of Defence (Defence) has previously advised the Committee, and again more recently on 4 December 2014 (see Appendix 1), that security issues are a barrier to further unclassified sustainment reporting, the Committee expressed a desire to give further consideration to the issue. This paper responds to the Committee's request for a detailed options paper to be developed.

The Department's assessments of readiness and availability (preparedness) of major Defence capabilities are by necessity classified, and the nature and extent of any further reporting of the related sustainment activities would need to appropriately consider the risks and benefits. Nevertheless, as demonstrated with the Major Projects Report (MPR), positive outcomes can be achieved if a balance can be struck between conveying information to inform government and the Parliament on the progress of the sustainment of major Defence equipment, without compromising legitimate security concerns. Aggregate information appropriately presented, for instance by class of asset or Service, rather than individual platform, may assist in alleviating security concerns.

In 2014–15, from total funding of \$34.219 billion<sup>1</sup>, Defence budgeted \$6.843 billion<sup>2</sup>, or 20 per cent, for its Capability Sustainment Programme, and most of this funding was transferred to the DMO.<sup>3</sup> The DMO's budgeted sustainment expenditure for 2014–15 is \$6.166 billion.<sup>4</sup> Of note, the estimated level of expenditure on sustainment across the budget and forward years approximates the estimated expenditure on capital acquisitions (see also Figure 1).

While there is already a range of unclassified material publicly available (outlined later in this paper), the following four options for further sustainment reporting have been developed for the Committee's consideration:

- Option 1: Provision of an annual *in camera* briefing. Defence, through the Vice Chief of the Defence Force, has offered to provide an annual *in camera* briefing to the JCPAA, to expand on the unclassified sustainment reporting included in publicly available reports, for example, the Portfolio Budget Statements and Defence Annual Report;
- Option 2: Continued expansion of sustainment reporting for the Top 30 sustainment products in the Defence Annual Report. Following recent Parliamentary and JCPAA interest, Defence has agreed to improve consistency and seek opportunities to improve the current analysis regarding performance targets and achievements within publicly

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<sup>1</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 16.

<sup>2</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 20.

<sup>3</sup> Some \$5.6 billion of the DMO sustainment budget is composed of funds transferred from Defence (specifically, transferred into the DMO's Special Account). Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 145.

<sup>4</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 177.

available reporting. The new sustainment Key Performance Indicators being developed for Defence Materiel Sustainment Agreements also offer opportunities for increased reporting and in addition, the information could be made more structured and comprehensive, subject to any security considerations;

- Option 3: Expansion of the MPR to include further sustainment reporting. Ongoing developments to the MPR have provided for the inclusion of a range of diverse projects. This includes unique arrangements, for example, the Collins Reliability and Sustainability project, which consists of two new capabilities and 20 engineering enhancements, and two projects that are transitioning to sustainment (Collins Replacement Combat System and ARH Tiger Helicopters). Consideration of the criteria for the 2015–16 MPR Guidelines could further expand the scope of sustainment products included within the MPR; and
- Option 4: Development of a new sustainment report and limited assurance review. The experiences of the DMO and the ANAO in producing the MPR could be utilised to develop a complementary and separate sustainment focussed report. However, security concerns surrounding the public reporting of sustainment matters are elevated under this option and would need to be addressed.

The likely resource costs increase progressively from Options 1 – 4. However, it is open to the Committee to take a measured approach by:

- commencing with Option 1, supplemented by Option 2; and
- considering whether Options 1 and 2 should be supplemented further by Option 3 in the medium term.

While all options do have some resource cost for Defence, Option 4 is expected to be the highest cost option and would need further development so the full costs and benefits could be identified, and elevated security considerations assessed. This particular option would also have more significant resource consequences for the ANAO than Option 3.

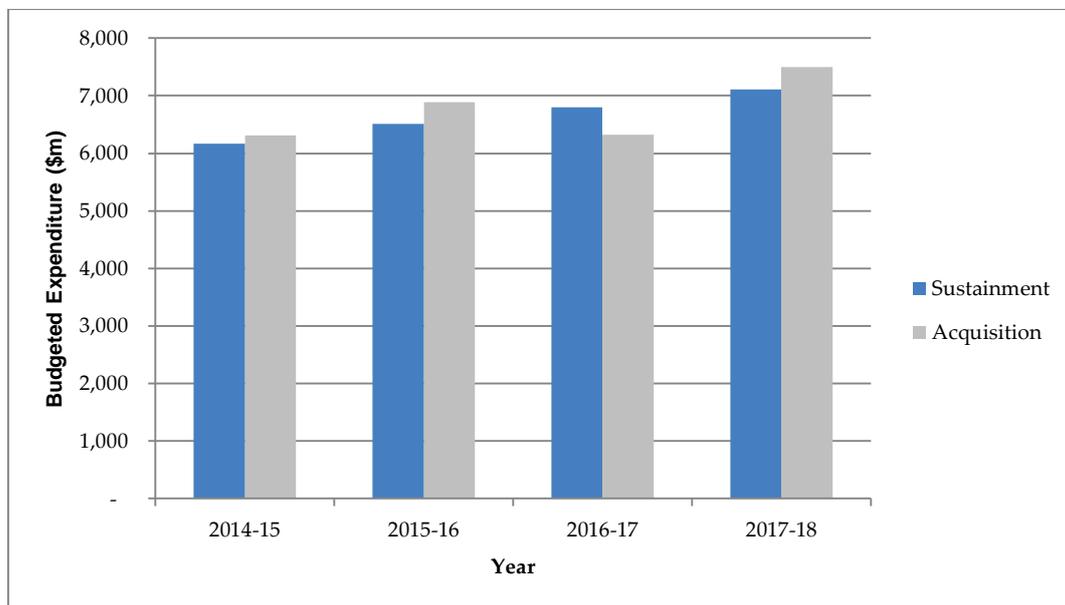
## Introduction

### Background

In 2014–15, out of total funding of \$34.219 billion<sup>5</sup>, Defence budgeted \$6.843 billion<sup>6</sup>, or 20 per cent, for its Capability Sustainment Programme, and most of this funding was transferred to the DMO.<sup>7</sup> The DMO’s budgeted sustainment expenditure for 2014–15 is \$6.166 billion.<sup>8</sup> The DMO’s sustainment programme involves the provision of in-service support, including the repair and maintenance of equipment, engineering (including enhancements), purchasing of inventory (such as explosive ordnance, fuel, stores and spare parts), configuration management and disposal action.<sup>9</sup>

Figure 1, below, depicts the DMO’s proposed acquisition and sustainment expenditure over the forward estimates period.

**Figure 1: Comparison of budgeted sustainment and acquisition expenditure 2014–15 to 2017–18**



Source: Tables 83 and 87, pp. 147 and 177, *Defence Portfolio Budget Statements 2014-15*.

Of note in the above figure, is that the level of sustainment expenditure approximates the expenditure on capital acquisitions across the budget and forward years.

<sup>5</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 16.

<sup>6</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 20.

<sup>7</sup> Some \$5.6 billion of the DMO sustainment budget is composed of funds transferred from Defence (specifically, transferred into the DMO’s Special Account). Australian Government, *Portfolio Budget Statements 2014–15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 145.

<sup>8</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 177.

<sup>9</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 176.

### Parliamentary interest

The Parliament<sup>10</sup> and JCPAA have continued to recommend and encourage the further development of approaches to achieve improved transparency in Defence sustainment reporting, given its significance. The request for this options paper follows a recommendation to the DMO by the JCPAA through Recommendation 4 in Report 442:

“The Committee recommends that the Defence Materiel Organisation prepares a suitable and separate methodology for reporting sustainment activity and expenditure, and that this methodology be reported to the Committee within six months of the tabling of this report.”

Defence did not agree with this recommendation, and the reasons for this are outlined in their formal response (see Appendix 1).

Following recent discussions with Defence, the ANAO has also been advised that the security implications of increasing sustainment reporting are an ongoing and largely unresolved issue, given the complexity and breadth of issues being considered. It is accepted that legitimate security concerns will influence the nature of Defence reporting, as it has done in the past.

### Existing reporting

There is a range of unclassified material on Defence sustainment already publicly available:

- detailed information on Top 30 sustainment products in the Portfolio Budget Statements<sup>11</sup> (an increase from prior year reporting on Top 20 sustainment products<sup>12</sup>);
- capability reporting by the Capability Managers (Annual Report)<sup>13</sup>; and
- reporting of management of capability sustainment by the DMO (Annual Report).<sup>14</sup>

In preparing this options paper the ANAO has also considered international sustainment reporting publications. There are limited examples of reporting, and no examples of comprehensive systematic and longitudinal reporting akin to the MPR. There are however, limited cases of publicly available sustainment reporting, for example the MPR itself reports on the Collins Reliability and Sustainability project and the most recent NAO *Major Projects Report 2014 and the Equipment Plan 2014 to 2024* reports on the ‘Warrior Capability Sustainment Programme’<sup>15</sup> (see Appendix 2). However, notwithstanding the title of this project, the information presented is more akin to a materiel project upgrade in the MPR.

Additionally, the as yet unpublished ANAO performance audit on Materiel Sustainment Agreements, draws on international practice (Canada, New Zealand, UK, USA), which also suggests there are generally low levels of sustainment reporting.

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<sup>10</sup> Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into the Review of the Defence Annual Report 2011-2012*, Government Response - 3(a), October 2014.

<sup>11</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, pp. 175–191.

<sup>12</sup> Department of Defence, DMO, *Submission No. 3 to the JCPAA*, Question on Notice No. 4 – Improvements to Reporting.

<sup>13</sup> Department of Defence, *Defence Annual Report 2013–2014*, Volume 1, Chapter 3 – Defence outcomes and programs— Outcome 1, pp. 29–40.

<sup>14</sup> Department of Defence, *Defence Annual Report 2013–2014*, Volume 1, Chapter 6 – Defence Materiel Organisation, pp. 99–106.

<sup>15</sup> National Audit Office, *Major Projects Report 2014 and the Equipment Plan 2014 to 2024*, 13 January 2015, pp. 69–70.

## Option 1: Provision of an annual *in camera* briefing

### Scope

In discussion with the ANAO, Defence, through the Vice Chief of the Defence Force, has offered an annual *in camera* briefing to the JCPAA on sustainment, to expand on information already provided in the publicly available Defence Capability Plan, Portfolio Budget Statements, Defence Annual Report and the Major Projects Report (MPR). Individual Capability Managers would also be available, should the Committee require.

An *in camera* briefing would allow for more in depth responses than would otherwise be possible in public hearings. A briefing would also provide the JCPAA with the opportunity to seek answers to (classified) sustainment matters directly from the relevant Capability Managers.

### Advantage

Security considerations would be less of a factor in providing responses, and in addition, responses to the Committee, in relation to contemporary concerns, could be provided in a relatively timely manner.

### Additional resources or costs

The costs to deliver this option could be met from within existing Defence resources.

### Estimated time to implementation

There are no identified barriers preventing implementation of this option in a timely manner.

### Lead responsibility

Vice Chief of the Defence Force.

### Security

The provision of information in this way is not expected to raise significant security concerns, and would be managed by Defence.

## Option 2: Expansion of sustainment reporting in the Defence Annual Report

### Scope

As noted earlier, there is a range of unclassified material already publicly available:

- detailed information on Top 30 sustainment products in the Portfolio Budget Statements<sup>16</sup> (an increase from prior year reporting on Top 20 sustainment products<sup>17</sup>);
- capability reporting by the Capability Managers (Annual Report)<sup>18</sup>; and
- reporting of management of capability sustainment by the DMO (Annual Report).<sup>19</sup>

A summary list of information provided in the most recent Defence Annual Report is contained in Appendix 3. As previously noted, in response to Recommendation 3 in JCPAA Report 442, Defence has already agreed to introduce greater consistency between the Defence Capability Plan, Portfolio Budget Statements, Defence Annual Report and the MPR. In addition, in response to the Joint Standing Committee on Foreign Affairs, Defence and Trade's recommendation to develop a more precise method for reporting performance on capabilities acquisition and sustainment, Defence has agreed to seek opportunities to improve the current analysis regarding performance targets and achievements.<sup>20</sup> Nonetheless, there may be scope for additional standardisation and improved data consistency.

In addition to the reporting currently appearing in the Defence Annual Report, the new suites of sustainment Key Performance Indicators being developed by Defence for Materiel Sustainment Agreements<sup>21</sup> offer opportunities for improved reporting. There may be merit in Defence disclosing against a small number of Key Performance Indicators for the Top 30 sustainment products, through measures that do not pose a classification risk, e.g. measures of financial performance against estimates, performance as a percentage of a target, or Cost per Materiel Day Achieved. The DMO could also report on other financial information in the Defence Annual Report, including measures such as cost growth across the capability life-cycle.

### Advantage

The provision of additional financial reporting would bring Australia's approach to reporting closer to that of the US Government, and would enable the Parliament to assess trends in Defence commitments for sustainment of specialist military equipment.

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<sup>16</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, pp. 175–191.

<sup>17</sup> Department of Defence, DMO, *Submission No. 3 to the JCPAA*, Question on Notice No. 4 – Improvements to Reporting.

<sup>18</sup> Department of Defence, *Defence Annual Report 2013–2014*, Volume 1, Chapter 3 – Defence outcomes and programs— Outcome 1, pp. 29–40.

<sup>19</sup> Department of Defence, *Defence Annual Report 2013–2014*, Volume 1, Chapter 6 – Defence Materiel Organisation, pp. 99–106.

<sup>20</sup> Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into the Review of the Defence Annual Report 2011-2012*, Government Response - 3(a), October 2014.

<sup>21</sup> Australian Government, *Portfolio Budget Statements 2014-15*, Budget Related Paper No.1.4A, Defence Portfolio, Canberra, May 2014, p. 177.

**Additional resources or costs**

The costs to deliver this option would be expected to be met within existing Defence resources.

**Estimated time to implementation**

There are no identified barriers preventing this option occurring in a timely manner once Key Performance Indicators are developed for every Materiel Sustainment Agreement.

**Lead responsibility**

Vice Chief of the Defence Force.

**Security**

The provision of additional information of this type in the Defence Annual Report is not expected to raise any significant security concerns, as publication would be managed by Defence.

## **Option 3: Expansion of the MPR to include further sustainment reporting**

### **Scope**

While the MPR is a relatively mature product, ongoing developments have provided for the inclusion of a range of diverse projects. This includes unique arrangements, for example the Collins Reliability and Sustainability project, which consists of two new capabilities and 20 engineering enhancements, and two projects that are transitioning to sustainment, Collins Replacement Combat System and ARH Tiger Helicopters.

These projects are reported in the context of the Project Data Summary Sheet design that has been optimised for the MPR, but is reflective of the key elements of any activity: cost, schedule, and the progress toward delivery of contracted outputs and are reflective of the majority of projects in the MPR. Additional sustainment products could include those which have previously been of interest to the Committee, for example the Armadales project. However, the Collins Reliability and Sustainability project has been a difficult project to adapt to the Project Data Summary Sheet format and Collins RCS and ARH Tiger Helicopters have only recently been transitioned to sustainment or are currently within the process of transitioning.

Consideration of the criteria for the 2015–16 MPR Guidelines could further expand the scope of sustainment products included within the MPR, and further to the selection criteria included in the current MPR Guidelines, additional criteria could include:

- platform age;
- known or emerging class reliability problems;
- delay in acquisition of capability replacements; and
- any other considerations by the Committee.

The scope of reporting would need to align with that contained in the MPR Project Data Summary Sheets. As with the MPR, some data is likely to be excluded on security grounds, as allowed for in the MPR Guidelines. Contextual information in the Project Data Summary Sheet could be presented in an unclassified form for the purposes of publication.

### **Advantage**

Information on sustainment would be included incrementally, as sustainment products are reviewed, with minimal change to the current assurance review process.

### **Additional resources or costs**

A report containing both acquisition projects and sustainment products adds complexity for readers, and may impact on the formal review conducted by the ANAO and its supporting procedures. This option may also require additional funding for Defence and/or the ANAO dependent upon the final scope of the work sought by the Committee.

### **Estimated time to implementation**

Ongoing.

### **Lead responsibility**

DMO/ANAO.

### **Security**

Reporting information in this way is not expected to raise significant security concerns.

## **Option 4: Development of a new sustainment report and limited assurance review**

### **Scope**

A new sustainment report could be produced through a *priority assurance review*, building upon the operational experiences that the DMO and the ANAO have developed through the production of the MPR. However, the scope of reporting would need to be developed over time. Initially, the ANAO would look to replicate the type of information contained in the Project Data Summary Sheets in the MPR, where the data is available for publication, and can be published in the sustainment context.

As previously indicated, there are elevated security concerns which need to be taken into account with this option due to the prospect of more comprehensive information being reported. Were new sustainment reporting to be pursued, it is recommended that initially it be through a limited pilot project between the ANAO and the DMO in consultation with government and the Committee. Provided that the pilot review was able to overcome security concerns, for instance by reporting at an aggregated rather than individual project level, this would provide a basis for further sustainment reporting.

### **Advantage**

Progression of public transparency and accountability of sustainment reporting.

### **Additional resources or costs**

Should a new sustainment report be required it would need to be supported by the JCPAA, the Government, Guidelines, and dedicated units in the ANAO and the DMO. A level of funding supplementation would be required to develop, and implement the new sustainment report.

### **Estimated time to implementation**

Significant development work would be required to implement this option with a pilot review as an interim step to ascertain the available data and analysis that would be required to provide confidence to stakeholders. Before going to a pilot, the ANAO suggests a more in depth proposal be developed for consideration. This in turn could then lead to the piloting of such an approach if the Committee and the Government approved.

### **Lead responsibility**

DMO/ANAO.

### **Security**

By reporting this information, security concerns are expected to be raised. Care would need to be taken to report information in such a way, for instance by aggregation, so as not to endanger national security.

## Appendix 1: Defence response to the JCPAA—Sustainment reporting, 4 December 2014

### Recommendation No.4 paragraph 3.75

*The Committee recommends that the Defence Materiel Organisation prepares a suitable and separate methodology for reporting sustainment activity and expenditure, and that this methodology be reported to the Committee within six months of the tabling of this report.*

#### **Response:** Disagree

The Vice Chief of Defence Force advises in relation to this recommendation that Defence's position is that the current arrangements of Portfolio Budget Statements (PBS) and Defence Annual Report reporting to Parliament, and Preparedness reporting to Government, balance effectively the obligation to allow Parliamentary scrutiny of the expenditure of Commonwealth funds on sustainment efforts, while protecting the classified information on capability readiness and availability which is associated with those sustainment efforts and which is separately provided to Government.

Assessments around the readiness and availability of major Defence capabilities are by necessity classified. In addition to the DMO reporting, the manager's of major Defence capabilities (Service Chiefs and certain Group Heads) also provide broad capability targets in the PBS and their achievement against these targets in the Defence Annual Report. However the level of information in the PBS and Defence Annual Report is constrained to that which is publicly releasable. This publicly releasable reporting to Parliament complements the classified assessment and reporting which is provided to Government.

Each quarter a Defence Preparedness Assessment (DPAS) is undertaken, the report from which is considered by the Chief of Defence Force and the Secretary at their Strategic Command Group. This assessment considers any constraints or risks associated with the concurrent demands of undertaking current operations and being prepared to meet future operations or commitments as required by Government. Issues of sustainment are key inputs in the assessment process. The DPAS has a two year outlook and is informed by a Quarterly Strategic Review which considers likely developments in Australia's security situation and possible military responses that might be directed by Government. The outcomes and key judgements from this assessment process are provided to the Minister as the classified Preparedness and Concurrency Ministerial Submission. This process has been refined considerably over the last four years, and provides a high level of assurance to Government as to the capability of Defence to meet current commitments and conduct future operations.

## Appendix 2: NAO Major Projects Report 2014 and the Equipment Plan 2014 to 2024—Extract ‘Warrior Capability Sustainment Programme’

### Warrior Capability Sustainment Programme

The Warrior Armoured Fighting Vehicle was brought into service in 1988 with an Out of Service Date of 2025. The requirement for the Warrior Capability Sustainment Programme is to sustain the capability of the Armoured Infantry within the balanced force against current and emerging threats, across the spectrum of conflict until the revised Warrior Out of Service Date well beyond 2035.



### Overview of Cost, Time and Performance

	Approved	Forecast/Actual	Variation	In-year Variation
Cost of Assessment Phase	£83m	£78m	-£5m	-
Cost of Demonstration & Manufacture Phase	£1,319m	£1,315m	-£4m	-£56m
Duration of Assessment Phase – Warrior	-	27 months	-	-
Duration of Assessment Phase – Common Cannon	-	9 months	-	-
In-Service Date – Warrior	November 2018	July 2019	+8 months	+8 months

### In-year Cost Variation Detail



### In-year Progress

Following slower than expected progress by the Warrior Capability Sustainment Programme Prime Contractor a re-baselining of the Demonstration Phase schedule was required. The contract was reset following a period of negotiation. Warrior Capability Sustainment Programme remained within financial approvals and protected our approved In-Service Date of March 2020 at 85% by amending the sequencing of Manufacture Phase activities, including the purchase of long lead items.

The following milestones have been achieved by Lockheed Martin in-year:

- March 2013 – Unit Zero Turret Integration & Test (Turret Factory Acceptance Test Plan/Specification complete and approved. Integration & Test Point A1 Test Report completed and any resultant corrective actions agreed).
- November 2013 – Unit Zero Integration Readiness Review (Integration Readiness Review held).
- December 2013 – Unit Zero Block 1 – Integration of Test Point A2, Stage 2 (Integration & Test Point A2 completed in accordance with Test Plan).
- December 2013 – FV510 & FV511 Preliminary Design Review (Anchor) (Conduct FV510 & FV511 Preliminary Design Review in accordance with and meet the criteria in the Systems Engineering Management Plan).
- March 2014 – Re-baseline Contract signed.
- March 2014 – Live Fire 3 Stage 1 – Unmanned Fire Torque Measurement (Trial to include unmanned firing of the Primary Weapon System integrated on to the Warrior Hull in the configuration and at the build standard).

The Armoured Battlefield Support Vehicle Initial Gate was planned for quarter 3 2014, however, Army Headquarters is currently reviewing the scope of the Armoured Battlefield Support Vehicle programme with a view to harmonising the requirement across the broader Army programme. Both the quantity of vehicles and the number of variants required for Armoured Battlefield Support Vehicle are expected to increase as a consequence of this review and Defence Equipment & Support are awaiting an option detailing the Army's requirement.

#### Main Weapon Selection –

##### Case Telescoped 40mm Cannon:

The qualification of Case Telescoped 40mm Cannon and Armour Piercing Fin Stabilised Discarding Sabot-Tracer and Target Practice-Tracer rounds continued in 2013 and included tests on the cannon and ammunition which included safety and functional trials in ambient and extreme hot and cold conditions. In addition, the ammunition was sequentially vibrated, shocked, heated, frozen and dropped to a specification which simulated a very tough in-service life, before being inspected and fired. The final qualification trials were completed in December 2013, forming the evidence in the Safety and Environmental Case Report which is currently with the Ordnance Safety Review Panel for their recommendation that Case Telescoped 40mm Cannon and Ammunition is safe to use. Some minor limitations have been applied in the initial use period, which will be lifted once further evidence or improvements have been provided as part of the 'gap closure' activities.

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### Risk Assessment against Defence Lines of Development

- Equipment
- Training
- Logistics
- Infrastructure
- Personnel
- Doctrine
- Organisation
- Information

### Appendix 3: Defence Annual Report—Sustainment elements

The following elements are reported in the Defence Annual Report 2013-14. This list is primarily populated from Program 1.2 “Management of Capability Sustainment”. The elements below may not be comprehensive, and, may not include sustainment reporting included in other sections of the Defence Annual Report or other forms of public accountability.

- Management unit responsibilities
- Number of units under care
- Achievements (i.e. positive significant events)
- Negative significant events (fire – Collins, Armidales)
- Platform specific information performance information
- Contractual descriptive information, financial value information mostly not disclosed
- Upgrade to systems, in some cases quite detailed, e.g. C130J
- Rate of effort information
- Reflections on the maturity of in-service support arrangements
- Reviews of key performance and health indicators (e.g. land systems)
- Availability (e.g. Collins, Armidales)
- Additionally, Defence provides (online only) access to sustainment financial information. Readers are referenced to this information in the Defence Annual Report, and it is easily found with online search engines using the keywords in the Defence Annual Report as search criteria, an extract is at Appendix 4.

The Defence Annual Report 2013-14 contains a number of sustainment related disclosures; these are distributed throughout the report, significantly:

- Pages 29–40 – contains capability information for Navy, Army and Air force. Other business units are mentioned later in the report. The information presented includes deliverables and accountability information, unit ready days, flying hours per platform and reporting against key performance indicators (broader Defence focus).
- Page 91 – *Program 1.2 Management of Capability Sustainment*, financial information on appropriations and other resources (DMO focus).
- Page 99 – *Program 1.2 Management of Capability Sustainment*, substantially outlined above, this section contains a considerable amount of contextual information on sustainment performance (DMO focus).
- Volume 2 (Audited Financial Statements) also contains high level financial information, including resourcing against a combined Material Sustainment Agreement category.

## Appendix 4: Defence Annual Report (online)—Top 30 sustainment products

Table W6.17: Top 30 sustainment products by expenditure as forecast in the Portfolio Budget Statements 2013–14

	Budget estimate 2013-14	Revised estimate 2013-14	Actual expenditure 2013-14	Variation	Reason for significant variation in product expenditure 2013–14
	\$m	\$m	\$m	\$m	
>General Manager Joint, Systems & Air					
Aerospace Systems					
Airborne Early Warning and Control System	163	167	167	0	
F/A-18 Hornet Weapon System	158	173	179	6	Due to contract milestone delivery achieved ahead of schedule.
F/A-18F Super Hornet Weapons System	123	131	140	9	Early realisation of software requirement resulted in an overspend for 2013-14.
P-3C/AP-3C Orion Weapons System	110	113	108	-5	The variation is due to lower than anticipated engine failure rates and lower than anticipated costs in transitioning to a new engine maintenance contract.
C130J-30 Weapon System	95	100	95	-5	The underspend is a result of lower than anticipated maintenance costs due to the condition of aircraft and savings realised due to the outsourcing of the C130J Capability Enhancement Project Management to Australian Aerospace Ltd.
Lead-In Fighter Hawk 127 Weapon System	78	79	75	-4	The variation is due to efficiencies realised in deeper maintenance and a reduction in rate of effort.
KC-30A Weapon System	59	46	56	10	The overspend is a result of hail damage repairs.
C-17 Heavy Air Lift Weapons System	58	51	51	0	

Source: Department of Defence, *2013-14 Annual Report (online)*, Table W6.17, available from: <<http://www.defence.gov.au/annualreports/13-14/part-two/chapter-six/program-1-02.asp>> [accessed 27 January 2015].