

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2012-2013

Finance and Deregulation Portfolio

Department/Agency: ASC Pty Ltd
Outcome/Program:
Topic: ASPI report today on ASC Operation

Senator: Johnston
Question reference number: F64
Type of question: Hansard, F&PA Committee, Page 69, 24 May 2012
Date set by the committee for the return of answer: Friday, 6 July 2012

Number of pages: 2

Question:

Senator JOHNSTON: In 2007/08 your revenues were \$325 million; in 2008/08, it was \$352 million; in 2009/10, it was \$516 million; and in 2010/11, in your words just then, \$700.1 million. Profit in 2007/08 was \$29.6 million; in 2008/09 it was 18.4 million; in 2009/10 it was \$4.2 million approximately; and then you say \$10.6 million last year. So profit has gone from nine per cent in 2007/08, down to 1.5 per cent currently, with last year being 0.8 of a per cent. And your dividends have gone from \$18 million in 2007/08 approximately down to about, as you say, \$6 million this year. The proposition of revenue up, profit down and dividends virtually nonexistent is pretty undeniable is it not?

Mr Ludlam: I think the analysis is correct. I would have to check the numbers, because you read them out fairly quickly, but I think the analysis is probably correct. ...

Senator JOHNSTON: This is from Mark Thomson's ASPI report on the budget, released at a lunchtime meeting today, setting out the various aspects of defence, its cost, and sustainment.

Chair: Sorry, Senator, are you seeking to have this tabled?

Senator JOHNSTON: I do seek to table it. First of all, I will talk to Mr Ludlam and just make sure that he is happy with the representation in figure 7.7 with respect to the key financial results. You can see that the profit takes, from 2007, a virtual vertical decline down to 09/10, with a little hockey stick on the bottom to last year.

Mr Ludlam: I have not seen this graph, figure 7.7, before.

Senator Wong: Perhaps we can take on notice whether or not ASC agrees with the figures—because he has obviously only just received this. We can proceed on the basis of—I do not want him put in the position of having to agree to something straight away. But we can proceed on the basis of your questions with that caveat. ...

Mr Ludlam: I am happy to take that on notice. It is very difficult to compare it in this short space of time. But I would be happy to take questions following through from that graphical analysis.

Answer:

Figure 7.7 on page 192 of the Australian Strategic Policy Institute's The Cost of Defence: ASPI Defence Budget Brief 2012-2013 report is consistent with ASC's reported results.

ASC's revenues have consistently increased since 2004/05 while profits as a percentage of total revenues have declined since 2006/07. The main reasons for this divergence are:

- ASC has not recognised any AWD profits to date; and
- In recent years, ASC has funded various activities from its profits, including:
 - Deep Blue Tech Pty Ltd;
 - Future Business; and
 - Work Smart.

ASC's treatment of the revenues and expenses from the AWD project is consistent with Australian Accounting Standard AASB 111 Construction Contracts. In line with this standard, profit on the project will be recognised in ASC's accounts when the outcome of the project can be estimated reliably.