



Australian Government

Department of Finance

The Treasury

## PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

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| <b>Name of proposal costed: Protected Mobile Fires Project (LAND 8112)</b> |   |
| <b>Costing Identifier:</b>   | COA063  |
| <b>Summary of costing:</b>   | <p>The proposal is to provide the Department of Defence (Defence) additional funding to complete the acquisition of Protected Mobile Fires in 2027-28 incorporating an Australian assembly, with ammunition sourced from the current Australian Defence Force (ADF) family of munitions.</p> <p>Acquisition of Protected Mobile Fires is currently programmed in the Defence Integrated Investment Program (DIIP) to commence in the 2030s.</p> |
| <b>Ongoing or Terminating (including date)<sup>(a)</sup></b>               | Terminating 30 June 2047  |
| <b>Person making the request:</b>  | Prime Minister  |
| <b>Date costing request received:</b>                                      | 14 May 2019   |
| <b>Date of public release of policy:</b>                                   | 14 May 2019   |
| <b>Date costing completed:</b>   | 15 May 2019   |
| <b>Additional information requested (including date):</b>                  | Not applicable  |
| <b>Additional information received (including date):</b>                   | Not applicable  |

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

### Financial implications (outturn prices)<sup>(b)</sup>

| Impact on                     | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|-------------------------------|---------|---------|---------|---------|---------|
| Underlying Cash Balance (\$m) | 0.0     | 0.0     | -6.8    | -7.0    | -100.6  |
| Fiscal Balance (\$m)          | 0.0     | 0.0     | -6.8    | -7.0    | -100.6  |

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

**Where relevant, state that the proposal has been costed as a defined or specified amount.**

Not applicable.

**Where relevant, include separate identification of revenue and expense components.**

As detailed in the costing request, the costing assumes all elements are expense.

**Where appropriate, include a range for the costing or sensitivity analysis.**

Not applicable.

**Qualifications to the costing (including reasons for the costing not being comprehensive).**

Not applicable.

**Where relevant, explain effects of departmental expenses.**

Consistent with the costing request, the costing assumes that all expenses are departmental.

**Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.**

As detailed in the costing request, the medium term costs are included up to 2029-30. The overall sustainment costs for the medium term are \$329.4 million, a variation from the stated estimate in the costing request of \$400 million.

**Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).**

**Where relevant, include an explanation of the medium term implications of the proposal<sup>(c)</sup>.**

| (\$m)                        | 2018-19    | 2019-20    | 2020-21     | 2021-22     | 2022-23       | 2023-24       | 2024-25       | 2025-26       | 2026-27       | 2027-28       | 2028-29      | 2029-30      | Total          |
|------------------------------|------------|------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|----------------|
| Acquisition Estimate         | 0.0        | 0.0        | 6.8         | 7.0         | 100.6         | 303.5         | 218.0         | 201.7         | 147.3         | 78.4          | 0.0          | 0.0          | 1063.1         |
| Sustainment Estimate         | 0.0        | 0.0        | 0.0         | 0.0         | 0.0           | 0.0           | 21.1          | 50.0          | 80.5          | 81.7          | 47.4         | 48.7         | 329.4          |
| Total Impact on Cash Balance | <b>0.0</b> | <b>0.0</b> | <b>-6.8</b> | <b>-7.0</b> | <b>-100.6</b> | <b>-303.5</b> | <b>-239.1</b> | <b>-251.7</b> | <b>-227.8</b> | <b>-160.1</b> | <b>-47.4</b> | <b>-48.7</b> | <b>-1392.5</b> |

\* Numbers may not sum due to rounding.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.

## **Background information**

### **Costing methodology used:**

### **Assumptions:**

This costing assumes:

- Defence will receive additional funding to support an Australian build and early acquisition of the Protected Mobile Fires.
- The cost associated with the Protected Mobile Fires is based on similar projects previously costed with Defence.
- Protected Mobile Fires is already provisioned in the DIIP in later decades. The reprioritisation and reprogramming of this provision will be managed through existing DIIP governance and authority requirements.
- All legislative and governance requirements will be completed in time for acquisition to commence in 2020-21.
- The Australian manufacturing and defence industries will have the capacity, technical ability, and access required to build and sustain the Protected Land Fires.
- A 30 percent premium on Acquisition costs and a 15 percent premium on Sustainment cost for an Australian build.
- No infrastructure costs associated with this project.
- No workforce cost associated with this project.
- Any funding, not provisioned for in this costing, will need to be met through reprioritisation of the DIIP.
- Defence is not required to return funding already provisioned for the acquisition or sustainment of the Protected Mobile Fires.
- The capability is expected to be in service until 2047 and Defence will be required to sustain it until its withdrawal.