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Dr Kathleen Dermody  
Committee Secretary  
Senate Standing Committee on Foreign Affairs, Defence and Trade  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Dr Dermody,

### **Inquiry into procurement procedures for Defence capital projects**

Thank you for the opportunity to provide a submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade's inquiry into procurement procedures for Defence capital projects.

CAE is a world leader in providing simulation and modelling technologies and integrated training solutions for the civil aviation industry and defence forces around the globe. CAE employs more than 7,500 people at more than 100 sites and training locations in more than 20 countries. Through our global network of 30 civil aviation and military training centres, we train more than 80,000 crew members yearly. We also offer modelling and simulation software to various market segments and, through CAE's professional services division, we assist customers with a wide range of simulation-based needs in Australia, CAE has over 230 employees located around the country, with a headquarters in Silverwater, NSW with more than 80 staff including software engineers and training professionals.

CAE is integral to the effective training of the Australian Defence Force with simulators and training centres for the Navy's Seahawk and Sea King, the Army's Black Hawk, and the Air Force's C-130H and C-130J aircraft. CAE is also developing new simulators for the MRH-90 and the KC-30A aircraft. CAE is also heavily involved in the civil aviation market, supplying simulators to Qantas, Virgin Blue, V Australia, and Air New Zealand, including the Airbus A380, A330, and A320, and Boeing B787, B777 and 737 fleets.

CAE has been working closely with Defence for some time on ways to help achieve the efficiency targets set by the Strategic Reform Program (SRP), and improve training and skills development outcomes for both Defence and Industry.



CAE believes there are significant improvements which can be achieved by looking at training functionally across Defence rather than on a project by project basis. For other customers, CAE has found significant savings through integration within and between programs, through re-using solutions and expertise, common facilities, and use of common training environments and training content. This integration is a key enabler to allow simulation to be utilised for joint and collective mission training, which in turn allows for a significant reduction in the training and operating costs.

Key to achieving these outcomes is working in partnership with Defence. CAE has developed an innovative and successful model for both the acquisition, and the Management and Support of ADF Aerospace Simulators (the MSAAS contract), which has resulted in significant savings and better training outcomes for all three services.

Developed collaboratively between CAE and Defence in 2004, the MSAAS contract merged three separate maintenance support contracts into a single contract to avoid unnecessary duplication and improve efficiencies, but also to increase the effectiveness of simulation and training by taking a more holistic view of the capability across the contracted platforms. Since that date the contract has been further expanded as new devices have come into service and to include further enhancements and efficiencies across training. The MSAAS contract is now a very effective and efficient contracting mechanism to ensure defence achieves savings and maximises efficiency in training. As an example, training databases developed for the Black Hawk Full Flight and Mission Simulator are being reused with the C-130H and C-130J Full Flight Simulators at a substantial reduction in development costs.

While the MSAAS contract is an example of the Defence Industry and Defence working together to achieve better outcomes, CAE believes that there are further immediate improvements to Defence procurement that can be made to provide better outcomes for Defence.

For example, training and training technology is usually purchased as a subset of an equipment acquisition and contracted through a prime contractor, rather than as a stand-alone contract. This approach delegates responsibility for effective training solutions to the prime contractor, where training rarely has the required level of focus and is often the first element cut from a project. In the case of Canada, Defence procurement has seen the acquisition of new capabilities in parallel with the acquisition of the training systems for these programs. Significant schedule, cost and capability benefits have been seen by the Canadian Forces as a result.

This is an issue relevant to the current new aircrew training projects, where the impact of exclusivity arrangements between prime contractors and platform providers, limits competition (and innovation) across all elements of the program – for example in the areas of support, logistics, maintenance and training. The end result is that Defence does not necessarily receive the best training solutions.



In the case of Canada (and elsewhere), allowing acquisition of a training system via a training system integrator has resulted in significant innovation in training, technology and business models, which would not have resulted in a traditional platform acquisition program. Given the focus on innovation and cost effective training sought by Defence, such approaches are recommended for consideration in the Australian context.

Should the Committee require further information, please don't hesitate to contact me for further information.

Yours sincerely

**Andrew Rankin**  
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**CAE Australia**