

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
SUPPLEMENTARY BUDGET ESTIMATES 2013-2014

Finance Portfolio

Department/Agency: ASC Pty Ltd
Outcome/Program: Outcome 2
Topic: ASC Contingent Liability

Senator: Fawcett

Question reference number: F39

Type of question: Hansard, F&PA Committee, Page 128, 19 November 2013

Date set by the committee for the return of answer: Friday 17 January 2013

Number of pages: 2

Question:

Senator FAWCETT: Welcome, Mr Ludlam. I would like to go back to September of last year, when the then minister rebaselined the AWD project. Senator Johnston subsequently asked a question on notice about the cost of extending the workforce. The answer that came back from Senator Wong was:

The costs of the workforce that is required to be retained for longer will be offset by a reduction in risk and liquidated damages provisions already included in the AWD Project profit

Given that it is in the order of an \$8 billion project, what was the provision for contingent liability that was set aside initially?

Mr Ludlam: In the overall contract?

Senator FAWCETT: If there are several, I am happy to get details on several.

Mr Ludlam: I do know the figure but I think that is probably a commercial figure.

Senator FAWCETT: I am not too concerned about the figure. What I am interested in is what percentage of that contingent liability provision has been absorbed by this cost the then government imposed on AWD by the rebaselining.

Mr Ludlam: The remaining contingency is around 30 per cent of the contingency that was available at the outset. That contingency available at the outset was set by some contingency established in the contract and by internally driven contingency. The part set by the contract we called tier 1 and the part set internally we called tier 2. So it is 30 per cent of tier 1 and tier 2 and represents about 60 per cent. But I would have to check these numbers, because I am trying to calculate them in my head. But I think it is about 60 per cent of the original contract contingency which we would regard as tier 1. That is the remaining contingency.

Senator FAWCETT: To come back to this question, what percentage of that original contingency was absorbed by the rebaselining activity?

Mr Ludlam: About 40 per cent of the original contingency has been taken. I would have to take the exact percentage absorbed by this particular action on notice.

Answer:

The AWD Project was approved in 2007 with a level of contingency held by the Defence Materiel Organisation (DMO) in addition to a level of Management Reserve (MR) held within the AWD Alliance. The specific amounts are commercial-in-confidence. The contingency held by the Commonwealth is not disclosed to the Industry Participants.

The proportion of the contingency held by the Alliance which equated to rebaselining was 23% of the contracted MR. Questions regarding the impact of rebaselining on the contingency held by the Commonwealth should be directed to DMO.