

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q1 - AIC Program Reform - Patrick

Question reference number: Q1

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 69 of the MPR it states:
“Defence is currently investigating ways to actively enhance Australian Industry Capability (AIC) and provide greater transparency into the current status and level of AIC. Defence plans to accelerate the delivery of key reforms to the AIC Program to return AIC as a real priority to the Defence sector. As part of this, Defence will establish and implement an AIC Promotion Plan. This plan will articulate specific improvement options and reporting transparency, including AIC information in future Major Projects Reports”

1. Can Defence please outline on which key reforms the delivery is being accelerated?
 - a. What progress has been made?

Answer:

The Minister for Defence Industry announced on 6 February 2020 an Independent Australian Industry Capability (AIC) Audit Program will be established this year. The Independent AIC Audit Program will investigate and report on whether major contractors are meeting their AIC contractual obligations, and increase certainty and visibility of contractual commitments on AIC.

In addition, the Minister for Defence Industry has also announced Defence will develop a new AIC contractual framework. While the current framework has laid strong foundations to support Australian Industry in our major programs, Defence will offer more guarantees for small businesses in future procurement through the development of a mandated set of contractual terms that are consistently applied to all contracts with an AIC plan.

The proposed program is currently under development and is expected to be released this year.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q2 - AIC Reporting - Patrick

Question reference number: 2

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

At the hearing on 27 May Defence personnel elaborated on the reporting of AIC in future Major Project Reports, stating reporting would be against contracted requirements.

1. Noting a number of major projects do not have specific AIC targets or requirements, in some cases it just requires maximisation of Australian industry, can defence please explain:
 - a. The nature and content of reporting for the projects?
 - b. How Defence and or the ANAO will measure and assess whether the use of Australian Industry has been 'maximised'?

Answer:

- 1a. It is incorrect to say that major projects do not have specific AIC requirements. The Defence Policy for Industry Participation outlines that an AIC Plan is required for projects valued at greater than \$20 million. In developing these plans, tenderers must demonstrate how they are maximising Australian Industry Capability. Once finalised, successful tender AIC Plans are incorporated into the procurement contract and a public version of the AIC Plan is made available on the Defence website. Reporting can then be done against the contracted AIC plan.
- 1b. The committee and the ANAO were not supportive of making changes to the Product Data Summary Sheets (PDSS) to accommodate AIC reporting at this time and Defence will not be pursuing this addition to the PDSS section of the Major Projects Report.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q3 - Data Assurance Improvement - Patrick

Question reference number:

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Data Extraction and Assurance

On page 74 of the MPR it states:

“This is due, in part to the issues requiring resolution prior to tabling, but also the detailed processes required to extract and assure the data, that is then out-of-date by the time it is published.”

1. Could Defence please:
 - a. outline the data assurance issues?
 - b. explain what actions defence has taken to improve data extraction and assurance?

Answer:

- a. ANAO assure the information provided in the Project Data Summary Sheets (PDSS). For the 2018-19 Report, Defence provided the first draft of the post-30 June PDSS for all 26 projects to the ANAO by 2 August 2019, and the last PDSS to be cleared by the ANAO to commence Defence Line Management and Natural Justice with Industry partners clearance processes occurred on 22 November 2019.

For the 2018—19 Report, the amount of documents used to assure the PDSS for the new projects averaged 400. For returning projects, between 150 – 200 documents are usually used.

Defence is not in a position to comment on the process ANAO use to assure the data, however, Defence understands that it would take time for the ANAO assurance team to read and check that information in the PDSS is not inconsistent with all these, often large and technical documents.

- b. Defence has worked collaboratively with the ANAO to improve these processes. As part of the yearly correspondence between the Departments, Defence proposed that the ANAO use Defence Protected Network accounts and the Defence records management system (called Objective) as a way to securely transfer project data between our two agencies. It is Defence's view that this will provide a level of protection, increase efficiencies and reduce delays due to data transfer efforts previously experienced.

Defence has also proposed a firmer schedule being developed, so that Project teams can plan for their engagement with the ANAO in the post 30 June period. Defence and the ANAO have also worked on improving the communication between our agencies and use methods, such as Group Mailboxes, to improve version control and issue resolution.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q4 - Data Assurance - Patrick

Question reference number: Q4

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 75 of the MPR, under the Adaptive nature of the Integrated Investment Program section, it states:

“new and effective approach to capability delivery when the full program cost, scope, schedule, and capability to be delivered is unknown at Government approval.”

1. Can defence please advise what level of accuracy is required for the factors of full program cost, scope, schedule and capability when seeking Government approval?
 - a. Are levels of accuracy or confidence advised?
 - b. In the absence of understanding the full programs cost, how are the obligations of the PGPA Act and CPR's met?

Answer:

Defence investment proposals are presented to Government with the appropriate level of information required at each stage of the Two Pass Process in order to provide Government with confidence to make a decision.

Investment proposals need to demonstrate value for money, detail the expected capability outcomes and be supported by Second Pass quality scope, schedule, cost and risk information.

Where the whole of life program costs are not yet known or are of low confidence, Government approval may be sought for discrete project phases or tranches of work that can be supported by Second Pass quality information.

Programs and projects may return to Government for multiple approvals throughout the life of an investment to ensure the Commonwealth's obligations are bounded to an acceptable level of risk determined by the Government, and ensure that the *Public Governance, Performance and Accountability Act 2013 (PGPA)* and Commonwealth Procurement Rules (CPR) obligations are met.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q5 - Force Structure Plan 2019 - Patrick

Question reference number: 5

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Pages 77 and 78 of the MPR, in relation to the Force Structure Plan 2019, includes contains statements such as:

- “The focus is to provide an Australian Defence Force that is a lethal, agile, affordable and sustainable force”
- “Using a Capability Based Planning methodology, the Force Structure Plan is employing parametric cost estimation, decision support, and assurance tools.”
- “options to address operational and strategic risks with commensurate funding offsets that will allow the Department to balance capability with strategic direction and budgetary constraints”
- “The Force Structure Plan will be presented for Government consideration in early 2020”
“a series of costed portfolio options”

1. Please explain the parametric cost estimation process being used and how it’s being applied in this context?
2. Has the Force Structure Plan been presented to the Government?
3. Please explain if and how Defence has dealt with or considered the impacts of Covid 19, and the containment responses:
 - a. On the Australian economy, namely GDP and the flow down impact on funds?
 - b. Regional stability?
 - c. Possible humanitarian demand on the ADF in the region?

1. The Department is using a parametric-analogous costing methodology to develop a Total Cost of Ownership (TCO) model. A parametric costing method applies the relationship between known variables to calculate the cost. An analogous costing method applies historical data of surrogate systems to estimate the cost. Defence has used a combination of parameter and analogous costing methods to inform its understanding on the cost of capabilities. The Department uses several industry exemplar parametric tools that are also in wide use within the United States, United Kingdom and Canadian Departments of Defence.
2. Yes.
- 3a. Defence has already taken steps at this crucial time to support Australian industry and boost national economic activity through continued delivery of defence capability. For example, this has been enabled with early payments of invoices to Australian businesses and supporting industry to adapt their work routines to safely continue operations.
- 3b. While the ADF's immediate concern is supporting Australians, as part of the whole-of Australian Government response to this crisis, Defence has also re-postured its in-country Defence Cooperation Program (DCP) to help partner nations plan, prepare and implement their security forces response to COVID-19. Defence is doing this as part of the Whole-of-Government effort to address the security needs of our partners. Defence is also reviewing its Step-Up initiatives to identify refinements for a post-COVID environment and recovery.
- 3c. Defence has been supporting Australia's broader Whole-of-Government COVID-19 response to the region, led by the Department of Foreign Affairs and Trade (DFAT). Any humanitarian response in the region will be led by DFAT and any support provided by the ADF will be considered at the time.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q6 - Project Budget Status - Patrick

Question reference number: 6

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

It's understood that Defence is covered on a 'no win, no loss' basis for Foreign Exchange variations. From Table 2A (Page 83) this coverage was at the time \$4.4B across the projects in the MPR, but it is clearly more than this across the full defence portfolio.

1. Please advise how the impact of currency fluctuation/Foreign exchange variation (ultimately covered by the Budget) is considered in the assessment and/or selection of preferred suppliers?
2. Please advise what the coverage is for Foreign exchange variation across the total portfolio?

Answer:

1. The Commonwealth Procurement Rules (CPRs), at paragraph 5.4, state that '*All potential suppliers to government must, subject to these CPRs, be treated equitably based on their commercial, legal, technical and financial abilities and not be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services.*' Seeking to predict possible exchange rate fluctuations as a determining factor in a tender process would breach the CPRs.
2. Foreign exchange adjustments are performed at each Government Budget update. Consistent with this policy the estimated foreign exchange supplementation in 2019-20 for Defence is \$488.7m as published in the Defence Portfolio Additional Estimates Statements 2019-20, page 19.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q7 - Smart Buyer - Patrick

Question reference number: 7

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 95 in relation to the Smart Buyer program it states “In 2018-19 the Capability Acquisition and Sustainment Group held 91 Smart Buyer workshops supporting projects and products.”

1. What industry representatives participated in the Smart Buyer workshops?
2. Could defence please provide specific examples where the Smart Buyer workshop approach was utilised?
3. It is understood surveys of participants are conducted, beyond these, does defence have any other mechanisms or tools for measuring or quantifying the benefit or success of the Smart Buyer program?
 - a. If so please explain application of the system and how it works?
4. Please provide examples where the Smart Buyer program did not help with the procurement?
 - a. What if any commonality exists in the cases where it did not help?

“It is expected that the Smart Buyer will focus on the Australian Industry Capability (AIC) improvements and obtain a deeper engagement with industry to ensure AIC strategies reflect the local industry capability.”

5. Please describe the ‘deeper engagement’ with industry?
 - a. What information will it include?

Answer:

1. Examples where industry representatives have participated include BAE Systems Australia (Nulka), CEA Technologies (Radar projects) and General Dynamics Land Systems and BAE Systems Australia (Abrams Capability Upgrade Project).
2. Specific examples where Smart Buyer workshops were utilised include:
 - a. LAND 129 Ph3 Tactical Aerial Vehicle – Enhancements Upgrades Gate 1
 - b. SEA 2400 Ph1 Hydrographic Data Collection Capability Gate 1
 - c. AIR 3503 Ph1 Distributed Ground Station Australia Gate 0
 - d. Joint Airborne Rescue Services – Sustainment Retender
3. Measuring the benefits of Smart Buyer workshops relies on qualitative and quantitative comparison of many variables relating to possible future project results. At present, it is too early as no projects that have undertaken the process have yet reached Initial Operating Capability; accordingly, qualitative information from participants is the extent of data available at this point in time.
 - a. Not available at this stage.
4. Smart Buyer has not been applied across large projects such as Land 400, SEA 1000, SEA 4000 and AIR 6000 apart from particular phases covering basing and upgrades.
 - a. These programs were not subject to Smart Buyer due to the governance and Government oversight in place from inception, outside of the standard Defence Gate and Integrated Investment Program update mechanisms and in some cases the smart buyer program was not yet in place.
5. The Smart Buyer program has been moved under Head Australian Industry Capability (CASG), Mr Martin Halloran. Under his leadership the program will be shaped to bring greater focus to AIC and industry engagement throughout the Capability Lifecycle.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q8 - Risk Reform - Patrick

Question reference number: 8

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Defence has advised there is a risk reform program, covered on page 101 of the MPR. During the hearing on 27 May Defence personnel advised that rollout of the program had been delayed due to the Covid 19 response, so would now be rolled out later this year, which is understood.

1. It's understood from the hearing that the Risk Management Framework and Risk Management Strategy 2020-2022 have been finalised, is this correct?
 - a. Have they been released? If so, please provided copies of each to the Committee?
 - b. If not, what is the target date for completion?
2. Please advise if the four handbooks are complete and have they been issued?
 - a. If they're finalised, please provided copies of each to the Committee?
 - b. If not, what is the target date for completion?
3. Could defence please explain
 - a. What was the impetus for the change?
 - b. What is the fundamental shift in approach?
4. It's understood that this has been contracted outside Defence.
 - a. Which contractors are supporting this change?
 - b. What's the total value of the contract/s to date and expenditure to date?

Answer:

1. Yes.
 - a. No, release is pending approval of the Deputy Secretary Capability Acquisition Sustainment Group (CASG) Risk Management Directive.
 - b. 22 June 2020.
2. Yes, they are complete but not yet released.
 - a. The handbooks, the Risk Management Strategy and the Risk Management Framework will be provided on release to the department.
 - b. They will be released week beginning 22 June 2020.

- 3a. The First Principles Review introduced a shift to 'One Defence', seeing CASG responsible for managing program, project and product risk across the Capability Life Cycle including coordination of all Fundamental Inputs to Capability. This broadening of scope required CASG to strengthen its risk management approaches to ensure effective delivery of capability, in partnership with Capability Managers and Industry.
 - b. The Capability Acquisition & Sustainment Risk Management System standardises application of the ISO31000:2018 risk management process. It defines the level and depth of risk planning for specific project applications, including a common risk language, risk analysis tools, standardised format for risk planning, selection of appropriate methods, techniques and approaches and an information system to enable enhanced risk-based decision making.
- 4a. AeroSafe Risk Management Pty Ltd has supported this change.
 - b. \$19.4 million (inc GST) between November 2016 and May 2020.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q9 - AIR6000 Phase 2A/2B - Patrick

Question reference number: 9

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Under the Major Risks and Issues summary (pg 136 and further info at p145 Sect 5.1) it states:

“There are no significant issues facing the AIR 6000 Phase 2A/2B Project”

1. Is the foundation of this statement reliant on the fact that the two ‘major issues’ have, as discussed at length on 27 May during the hearing, been deferred to later phases of the project?
2. The statement “There are no significant issues facing the AIR 6000 Phase 2A/2B Project” seems at odds with assessments from US authorities, such as the DOTE and GAO, particularly GAO reports from March and May of this year.
 - a. Is this still the current assessment/position of the project office?
 - b. Could Defence please explain their reconciliation to this position?

Answer:

1. This statement is based on Defence’s assessment of its ability to deliver the agreed system capabilities at IOC and particularly FOC. FOC does not require BLOS which was not rated an essential requirement and an initial Maritime Strike capability is still expected to be delivered. Therefore these two issues will not prevent achievement of FOC and hence do not conflict with the Defence assessment that there are no major issues facing the AIR 6000 Phase 2A/B project.
2. The issues identified by DOTE and GAO are real and need to be addressed. However they generally relate to optimisation and efficiency either in cost or availability terms. These issues and the noted deficiencies have not prevented the US and other nations declaring IOC and are not expected to prevent Australia declaring the JSF operational in the future.

This does not mean there are no risks to the project. The Major Project Report outlines our assessments in this regard.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q10 - JSF Through Life Cost - Patrick

Question reference number:

Senator/Member: Rex Patrick

Type of question: written

Date set by the committee for the return of answer: 10 June 2020

Question:

Through the PDSS there are a number of references to potential cost issues, including:

- Two dot points, under the ‘Major Risks and Issue’ (pg 136).
 - o “ongoing viability of the F-35A system ... may be impacted by the failure to adequately resource and manage the currently unapproved AIR6000 project phases including additional support elements and follow-on modernisation”
 - o “Acquisition and operation of the F-35A capability may be affected by overall funding or programming issues arising from internal cost growth / forecasting accuracy and external budget constraints, leading to an impact on capability and schedule.”
- On page 148 “The F-35 future sustainment affordability has been affected by an increase in through-life sustainment cost estimates.”

This sentiment accords with reports from the US

From US GAO Report Mar 2020 – ‘DOD Needs a Strategy for Re-Designing the F-35’s Central Logistics System’:

- “The F-35 is also DOD’s most ambitious and costly weapon system in history, with acquisition and sustainment costs for the three U.S. military services estimated at over \$1.6 trillion over a 66-year life cycle”

From GAO Report (May 2020):

- “In 2019, estimated development costs to modernize the F-35’s hardware and software systems—known as Block 4—increased by over \$1.5 billion. The cost increase puts estimated Block 4 development costs at \$12.1 billion. However, the cost estimate did not fully adhere to leading practices, such as including all life cycle costs.”

1. Could the project office/CASG advise if they are expecting further cost issues?

- a. Has the Minister been advised, and on what date/s?
- b. What is the magnitude of the ‘cost issues’ and over what period?
- c. Please explain what remedies Defence has and is using to address these issues?

2. Please advise on the current estimate of the Through Life costs for Australia in relation to the JSF?
 - a. Do they match the estimated costs at approval?
 - b. What's the variance?

Answer:

1. The project does not expect any further material cost issues. However the project will carry a degree of cost risk until all scope is contracted and then a reduced level of cost risk until the project is delivered and complete.
 - a. Government is advised on the status of AIR6000 2A/2B annually – generally in the October timeframe.
 - b. See response above.
 - c. See response above.

2a.b. Initial Sustainment (operating and support) costs were approved by Government in 2014, valued at an estimated \$4.6 billion out to 2024-25 (first 10 years).

Future sustainment cost estimates are continuing to mature as F-35 global and regional maintenance support assignments are made and commercial arrangements established. Defence is currently reviewing operating and support estimates for funding requirements post financial year 2024-25.

Defence are still developing the final sustainment cost estimate for whole of life and will return to Government for subsequent approval in 2021-22 for costs beyond 2024-25.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q11 - Major risks and issues - Patrick

Question reference number: 11

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

The 7th Dot Point of the Major Risks and Issues states:

“The F-35 Program may not provide the required industry benefit and Australian industrial capability and capacity, targets and goals for resulting contracts will not be realised, or will be delayed. Australian industry may not be able to meet Global Support Solution (GSS) performance, cost or schedule requirements. Australian industry assignment MRO&U activation may impact on the performance outcomes of F-35 GSS Enterprise.”

1. Can Defence please elaborate on the specific gaps in the ‘industry benefit’ and ‘Australian Industry Capability and capacity’ that the project office is foreshadowing?
2. Please advise what “targets and goals for resulting contracts that will not be realised, or will be delayed” are?
3. On the assumption that the Australian industry being referred to are already suppliers to the program, please explain why now they would “not be able to meet Global Support Solution (GSS) performance, cost or schedule requirements”?
4. Please explain the “performance outcome” areas that “Australian industry assignment MRO&U activation may impact on”?

Answer:

1. The comment referred to is a project risk. Risks are identified so that the probability of occurrence and the potential impact can be minimised. This risk has been managed by the project and has not eventuated.
2. Refer to response 1.
3. Refer to response 1.
4. Refer to response 1

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q12 - Engine Maintenance Facility - Patrick

Question reference number: 12

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

Australia's is providing an Engine Maintenance Facility as part of the GSS and MRO&U.

1. Can Defence please advise what the current status of the Engine Maintenance Facility is?
2. Please provide a copy of the delivery schedule attached to the original contract for the Engine Maintenance Facility to the Committee?

Answer:

1. The Engine Maintenance Facility construction is complete. Pratt & Whitney have qualified the engine maintenance depot provider, TAE Aerospace, for maintenance of the Fan Module in February 2020. Qualification for maintenance of the Power Module is scheduled for November 2020.

In parallel, the Engine Test Cell at Amberley is currently being upgraded via a separate contract to enable testing of the F-35 engine. While most of the capital works were completed by late 2019, verification and validation phases required before the Engine Test Cell capability becomes operational have been delayed by COVID-19 travel restrictions until the October 2020 timeframe.

2. The table below reflects the original dates for the Engine Maintenance Facility Contract Milestones providing a simplified view in comparison to the original contract delivery schedule. All milestones apart from Milestone 5 have been achieved.

Milestone Description	Milestone Date
Milestone 1 - Purchase of Engine Maintenance Facility Land	31 July 2018
Milestone 2 - Ready for F-35 Engine Services	28 February 2019
Milestone 2A - Facility Transition Plan	30 April 2019
Milestone 3 - Ready for Training	30 June 2019
Milestone 4 – Qualified on initial F-35 engine module maintenance	31 January 2020
Milestone 5 - Ready for Non-F-35 Engine Services	31 December 2020

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q13 - Autonomous Logistics Information System (ALIS) - Patrick

Question reference number: 13

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

The ‘Autonomous Logistics Information System (ALIS) system’, has been a long running, since 2014, source of problems and issues for the overall program which has been widely covered in the US, yet barely gets a mention in the PDSS. ALIS is now to be replaced by ‘Operational Data Integrated Network (ODIN)’.

Could Defence please explain:

1. The basis on which issues with the ALIS do not rate a mention in the Major Risks and Issues?
2. What impact the replacement of ALIS with ODIN will have on the project’s schedule and/or cost?
3. If this has an impact on the through life support costs?
4. If there are any issues associated with this change in relation to the support contract Defence has entered into with:
 - a. Lockheed Martin?
 - b. Lockheed Martin Australia?

Answer:

1. The 2018/19 Major Project Report explicitly notes risk to ALIS in the first dot point in Section 1 Major Risks and more comprehensively in Risk 3 in Section 5.1 Major Project Risks. Moreover, ALIS is a key element of the Global Support System (GSS) and is included in assessments underpinning GSS risks.

The Australian F-35A program is managing ALIS data integrity and, where appropriate, focussing on known system limitations. Australia has also invested in the Off-Board Information Systems Centre for ALIS management and testing to assist in building up our knowledge.

2. The move to ODIN will not affect AIR 6000 Phase 2A/B project schedule or cost.
3. The F-35 Joint Program Office has advised that the change will be cost neutral.
4. a & b. Defence has contracted Lockheed Martin Australia to provide on-site support for the extant ALIS system and associated off-board information systems. Defence envisions this support contract will continue to provide industry support to the F-35A off-board information systems. Once the ODIN schedule, design and support requirements are more clearly defined, Defence will engage with Lockheed Martin Australia to adjust the services provided under the extant ALIS support contract.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q14 - AIR 6000 project - Patrick

Question reference number: 14

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

From GAO (United States Government Accountability Office) Report (May 2020):

“In 2019, the F-35 program conducted much of its planned operational testing but extended the schedule by 9 months, which delays the program’s full-rate production decision to between September 2020 and March 2021. Over that time, the program will continue to deliver aircraft.”

1. Please advise if the extension to the operational test program in the US will affect the AIR 6000 project schedule or cost?
2. If so, what are the effects?

Answer:

Defence does not anticipate any impact to AIR 6000 Phase 2A/B schedule or cost arising from the delayed completion of the US Initial Operating Test and Evaluation program.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q15 - GAO report - Patrick

Question reference number: 15

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

From GAO Report (May 2020):

“In addition, while the F-35 program has increased the production rate and negotiated lower aircraft prices, it is not meeting manufacturing leading practices identified by GAO. Specifically, only about 3,000 of the over 10,000 airframe contractor’s manufacturing key processes meet predefined design standards for ensuring product quality. Also, the fielded aircraft, over 500 so far, do not meet the program’s reliability and maintainability goals.”

1. Please advise if the aircraft Australia has taken delivery of are also subject to the “reliability and maintainability goals” shortcomings stated by the US GAO?
 2. If so,
 - i. Can they be rectified?
 - ii. What impact does this have on capability?
 - iii. What’s the cost impact?
- (The US estimate is USD \$1.4B for the estimated 550 aircraft)

Answer:

1. Australia’s aircraft are subject to the same reliability and maintainability goals as the global fleet of more than 520 F-35 aircraft.
2.
 - i. Yes. Where applicable, requirements for retrofits have been included in the routine maintenance activities planned for each tail number.
 - ii. Operational performance and safety of the aircraft has not been affected.
 - iii. Australia has an adequate budget provision within AIR 6000 Phase 2A/B for the conduct of the required rectification work. Australia has only two aircraft in early

production lots which are subject to most of the improvement issues. The remainder of the Australian fleet requires far fewer retrofits.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q16 - SEA 4000 phase 3 AWD- Patrick

Question reference number: 16

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

SEA 4000 Phase 3 AWD (Pg 151)

On page 152 the PDSS states:

“Due to the AIR 9000 Aviation Upgrade Program in NUSHIP Sydney, Final Materiel Release (FMR) for Ship 3 is now estimated to be March 2020.”

1. Please confirm that Final Material Release for Sydney was achieved in March 2020?
 - a. If not, when is FMR now forecast to occur?
 - b. What caused the delay?

Answer:

1. Materiel Release for HMAS *Sydney* was not achieved in March 2020 (note Defence used an incorrect term in describing the milestone as Final Materiel Release on page 152 of the 2018-19 Major Projects Report).
 - a. Materiel Release was achieved in April 2020.
 - b. The delay to Materiel Release was caused by the AIR 9000 Aviation Upgrade Program. Final Materiel Release for the AWD Project will occur after HMAS *Sydney* completes combat system qualification trials in the first half of 2021.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q17 - R-EA sub-system - Patrick

Question reference number: 17

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

“Procurement of the [Radar-Electronic Attack] R-EA sub-system has been deferred as currently available technology does not represent a cost-capability benefit.”

1. Please advise if the R-EA had been contracted?
 - i. And if so to which supplier?
 - ii. Will there be a cost adjustment?
2. Was this capability supposed to be delivered as part of the AEGIS system?

Answer:

1. **Yes.** The development of a sovereign Radar Electronic Attack (R-EA) sub-system for the *Hobart* Class Destroyer has been contracted to the Australian Company, CEA Technologies. No cost adjustment to SEA4000 Phase 3 budget is expected. The sub-system will be funded through a separate existing program in the Integrated Investment Program.

2. **No.** The SEA4000 Phase 3 Functional Performance specifications contained Radar Electronic Attack (R-EA) as part of the broader Electronic Warfare Capability in the *Hobart* Class Destroyer. This is distinct from the Aegis system.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q18 - Project Major Contracts - Patrick

Question reference number: 18

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

Pg 155 Table 2.3 Details of Project Major Contracts:

Note 1 states: “The Price at 30 June 2019 includes an increase of USD \$20m as per Amendment 10 of the LOA and excludes a current Alliance cost of \$208.2m for the purchase of FMS equipment to be supplied under the ABTIA contract.”

The same note with a date of ‘30 June 2018’ was in the previous PDSS.

Please explain

- a. When will the \$208.2M in FMS cost will get included?
- b. Where it will get included in the reporting?

Answer:

The \$208.2 million is included as part of the AWD Alliance (ABTIA) line (\$7,160.3 million) of Table 2.3 on page 155 of the Major Projects Report.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q19 - Major Project Risks - Patrick

Question reference number: 19

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)

Description Remedial Action

1. There is a chance that the Integrated Sonar System Sonar will be affected by design issues leading to an impact on capability. Issues with the Integrated Sonar System during Ship 2 sea trials have led to equipment being returned to the supplier for redesign and upgrade. After testing, this should be ready for installation on Ships 1 and 2 in mid-2019.

If successful, full power testing to be conducted during Ship 3 sea trials should support final verification of sonar system performance.

In relation to the above excerpt, please advise:

1. If the issues were sonar specific issues or associated equipment issues (e.g. sonar dome, towed sonar winch/handling gear)?

2. Have these issues now been rectified?

3. If there was any cost to Defence associated with this remedial activity?

i. If so what were the costs?

ii. If not, which entity dealt with the costs?

Answer:

1. During sea trials on Ship 2 the towed array transmitter was found to have short circuited.

2. Yes.

3. No additional cost was incurred; rectification was managed by the manufacturer.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q20 - Emergent risks - Patrick

Question reference number: 20

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Emergent Risks (risk not previously identified but has emerged during 2018-19

Description Remedial Action

4. Increased costs of worker redundancies as period of obligation increased, with Government mandated sale of ASC Shipbuilding to BAE Systems. With the closure of the AWD program and transfer of workforce to AWD Shipbuilding, the Program is providing support for compensation and redundancy programs.

In relation to the above excerpt, please advise what the 'support' for compensation and redundancy programs has cost the Program to date?

Answer:

The Commonwealth extended the period during which ASC Shipbuilding employees are entitled to the payment of redundancies following their work on the AWD program to 31 December 2023 in order to provide ASC Shipbuilding a greater period during which to identify redeployment opportunities for the employees (e.g. on the *Hunter* or *Arafura* programs), thereby maximising their retention.

This extended support is provided from within the current AWD budget allocated for redundancy payments (i.e. the claim period has been extended; the budget itself has not increased). There has been no cost to the Program to date.

Public Accounts and Audit

Parliamentary inquiry into Defence Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarines Program - 29 May 2020 - Q21
- AIR 7000 Phase 2B P-8 Poseidon - Patrick

Question reference number: 21

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June, 2020

Question:

Page 165 of the PDSS includes the statement:

“All other previously reported major risks and issues have been either retired, downgraded or transferred to sustainment to manage.”

1. Could Defence please advise what the major risks and/or issues that were ‘transferred to sustainment’ are?
 - a. How are the costs for addressing the risks and issues to be handled?
 - b. Is the project providing any funding for these?

Answer:

A single risk was transferred to sustainment relating to outcomes from P-8A Poseidon airframe structural fatigue testing. The US Navy’s initial analysis of the test outcomes concluded that some additional inspections, maintenance and/or component replacement may be required during scheduled deeper maintenance. Analysis of the test results is not yet complete. However, any additional maintenance and associated costs are expected to be small. As such, the associated aircraft structural integrity program is planned to be absorbed within the existing P-8A Poseidon sustainment funding allocation.

Public Accounts and Audit

Parliamentary inquiry into Defence Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarines Program - 29 May 2020 - Q22
- Interim Search and Rescue Capability - Patrick

Question Reference Number: 22

Senator/Member: Rex Patrick

Type of question: written

Date set by the committee for the return of answer: 10 June, 2020

Question:

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
1. The Project identified schedule risks associated with the UNIPAC III (objective) Search and Rescue Kit.	The Project has increased resources to identify and assist with program remediation actions, including enhanced collaboration with supplier and working closely with USN to approve and deliver this capability. This risk has a low impact on capability as the interim Search and Rescue capability approved and is in place.

In relation to the above excerpt, could Defence please explain what the interim Search and Rescue capability that's approved and in place is?

Answer:

The interim Search and Rescue capability currently in use on the P-8A Poseidon aircraft is the UNIPAC II Search and Rescue kit. This capability was delivered by Project AIR 7000 Phase 2B as part of the P-8A Poseidon Initial Operating Capability and consists of a 10 person life raft (compared with a 20 person raft for UNIPAC III) and associated survival items. A single P-8A Poseidon aircraft can deploy multiple UNIPAC II kits.

Public Accounts and Audit

Parliamentary inquiry into Defence Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarines Program - 29 May 2020 - Q23 - AIR 7000 project capability schedule - Patrick

Question Reference Number: 23

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June, 2020

Question:

From 'GAO-18-360SP Weapon Systems Annual Assessment':

“It also stated that reductions to development funding in fiscal years 2017 and 2018 have led to a program restructuring and additional delays in fielding the remaining upgrades, including anti-submarine warfare improvements.”

What impact are the US funding reductions having on the AIR 7000 project capability schedule?

Answer:

The funding change is applicable to the Increment 3 element of the US Navy P-8A program. Australia intends to acquire this capability through Project AIR 7000 Phase 2C, however Government approval for this acquisition project will not be sought before February 2022. Project AIR 7000 Phase 2B is currently delivering the pre-Increment 3 P-8A capability, which is not affected by the subject US Navy budget reductions.

Public Accounts and Audit

Parliamentary inquiry into Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarines Program - 29 May 2020 - Q24
- SEA 1180 Phase 1 OPV - Patrick

Question Reference Number: 24

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June, 2020

Question:

Page 199 of the MPR has the Major Project Risks for the OPV project.

5.1 Major Project Risks:

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
There is a chance that the OPV communications system will be affected by the late delivery of Government Furnished Data leading to an impact on schedule	SEA 1180 project is constrained by third party retransfer permission. The project office works closely with Luerssen to understand design assumptions which are made due to the lack of GFM, in particular technical data.

Noting this is a new platform with a new communications suite, could Defence please elaborate on what the third party retransfer constraint is?

Answer:

Elements of the Arafura class communications suite, such as radios and cryptographic devices, are provided by Defence to the prime as Government Furnished Equipment. These elements are sourced by Defence from the United States and require third party retransfer arrangements to be in place to enable the sharing of interface control data and the installation of equipment. Gaining third party retransfer permissions is managed by Defence but not controlled by Defence, hence the risk arises. The risk is being successfully managed and is reducing over time.

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarines Program - 29 May 2020 - Q25
- AIR 5349 Phase 3 EA-18G Growler Airborne Electronic Attack Capability - Patrick

Question reference number: 25

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June, 2020

Question:

Page 199 of the PDSS includes the statements:

“In January 2018 an incident involving an in-service EA-18G aircraft occurred in the US at Nellis Air Force Base (near Las Vegas). Investigations into the incident have been completed and the aircraft has since been classified unrepairable and disposal actions have commenced. The project is working closely with Air Force regarding the development of possible replacement options.”

“The emergent risk of adapting USN doctrine and command and control structures for EA-18G to the Australian context will be mitigated by the assignment of resources to develop doctrine and command and control frameworks in the ADF Joint electromagnetic operations context, including the development of decision support tools.”

1. Please explain what replacement options are being investigated?
 - a. What’s the status of the investigations?
2. It’s noted that this was an emergent risk in the last report, could Defence please advise on the current status?
 - a. And explain how big a risk this is?

It also states:

“There is an emergent risk that some stores variants will not be fully cleared for use on Growler in time for Materiel Release 5. This will be mitigated by early release of training variants.”

3. The linkage on this mitigation strategy is not clear, could Defence please explain how the mitigation strategy deals with the risk item?

Answer:

1. Air Force is continuing the investigation into a range of possible replacement options.
2. The risk of adapting USN doctrine and command and control structures is reducing as the Australian EA-18G Growler community achieves development milestones on the path to Final Operating Capability (planned for 2022). Significant progress has been made in establishing structures and processes within the Joint Force.
3. Air-to-air missile training variants will be certified for carriage and use on the aircraft for Air Force's conduct of Raise, Train & Sustain activities as part of Milestone Release 5. Air Force will have the ability to employ operational variants if required. Conduct of the full certification activity by the US Navy is currently scheduled for completion prior to FOC.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q26 - Mobile Threat Training Emitter Systems - Patrick

Question reference number: 26

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

From the PDSS it's clear that both Mobile Threat Training Emitter Systems (MTTES) (one for QLD and one for NT) are late. With MR2 (Material Release 2) MTTES QLD scheduled for Oct 17, now delayed to Sep 19; and MR4 MTTES NT scheduled for Mar 19, now delayed to Oct 20.

1. Please confirm if MR 2 been achieved?
 - a. If so when?
2. Please advise if MR4 is on track to be achieved in Oct [2020]?
3. Please advise what the cost impacts have been to the project?
4. Please advise how the costs associated with the activities that are underway to mitigate the operational impact on training are being addressed?

Answer:

1. Milestone Release 2 (MR2) was achieved in September 2019.
2. Milestone Release 4 (MR4) was on track for achievement in October 2020 however, COVID-19 travel restrictions have delayed schedule. The delay in achievement of MR4 will be qualified as travel restrictions continue to ease.
3. The total project cost remains within the approved project budget. There have been some increased costs associated with the late delivery of equipment and subsequent delays in integration and installation. These cost increases have been offset through savings realised in other areas of AIR 5349 Phase 3.
4. The cost of mitigation activities have been funded from the re-allocation of savings, while remaining within the approved total project budget.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarines Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q27 - LAND 121 Phase 3B Overlander Vehicles - Patrick

Question reference number: 27

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

Page 216 of the PDSS includes the table for Major Project Risks, below is an excerpt from that table.

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)

Description Remedial Action Support and Maintenance not fully Developed.

There is a chance that the MHC contracted Support and Maintenance Services (relating to the provision of spare parts, and after sales support for the protected variant and stores modules) will be affected by RMMVA not meeting their contractual obligations impacting on cost, schedule, performance and supportability. This risk is being mitigated by close monitoring and engagement with RMMVA through regular Combined Services Performance Reviews. The provision of spares is being resolved as RMMVA are to establish a production facility in Queensland by 2021, which will also provide a long term solution for the protected variant repairs where an interim solution is currently in place. The after sales support for modules is under discussion with RMMVA.

1. Could Defence please confirm that the intended message in the 'description' column, is to advise that the contractor has not delivered as per the contract?
2. Could Defence please clarify what the cost, schedule, performance and supportability impacts are?

Answer:

1. Rheinmetall MAN Military Vehicles Australia (RMMVA) has met all contractual obligations, which sees this risk reduced from High to Low.
2. There have been no schedule, performance or supportability impacts as the risk has not been realised.

Joint Committee Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q28 - AIR 8000 Ph8 C-27J - Patrick

Question reference number: 28

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 258 it states that FOC, originally scheduled for Dec 17, was forecast for Dec 19.

1. Please advice if FOC been achieved?
- a. If not, what is the new forecast date?

Answer:

1. FOC was not achieved in Dec 19
- a. Air Force is conducting an assessment of Final Operating Capability options for the C-27J and will advise Government in Q4 2020.

Public Accounts and Audit

Parliamentary inquiry – Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 -
Q29 - Materiel Capability Delivery Performance - Patrick

Question reference number: 29

Senator/Member: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 259 there is a Materiel Capability Delivery Performance Pie Chart which shows 10% of the capability delivery being Amber. There's also an amplifying comment stating that less than 1% of final spares delivery is remaining.

1. Please elaborate on the scope of the capability that's 'Amber'?
 - a. Is any of this Amber capability part of the original project scope?
2. Please explain if the 1% of Final Spares, represents 1% of the Amber capability or is it a reference to 1% of the total spares being delivered?

Answer:

1. The materiel capability delivery performance shown as 10 per cent 'Amber' on page 259 refers to the work remaining to complete the Mode V Identification Friend or Foe (IFF) upgrade modification, achievement of a military type certificate, and the completion of long lead time spares delivery, of which less than one per cent of the total value of the spares buy for AIR8000Ph2 is still to be delivered.
 - a. All elements of the 'Amber' performance field relate to work required under original project scope.
2. The less than one per cent of final spares delivery is a percentage representation of the value of total spares buy.

Joint Committee on Public Accounts and Audit

Parliamentary inquiry - Major Projects Report and Future Submarine Program

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q30 - SEA 1654 Ph3 Replacement Replenishment Ships - Patrick

Question reference number: 30

Senator/Member: Rex Patrick

Type of question: written

Date set by the committee for the return of answer: 10 June 2020

Question:

In relation to contingency on this project, on page 89 of the MPR it's explained that SEA 1654 had \$40.2M of contingency approved this year. There is further statements relating to contingency on page 263; namely:

- “The cost of implementing capability requirements, including provisioning of spares, Identification Friend or Foe (IFF) and the Navigation Display System (NDS), exceeding the project budget allocated at 2nd Pass Approval”
- “The cost of increased Australian Industry Capability (AIC) activities”

1. Please advise if the contingency was applied contingency (allocated to risks) or if it was actually drawn down on?
 - a. If it consumed, how much was consumed?
2. Please explain how the costs of each of the items specified, differed to what was put forward at 2nd Pass?
3. Please explain what the increases were in relation to the AIC activities, how they affected cost and what the costs were?
4. Please advise if the transit and acceptance dates for the two ships have been impacted by the Covid-19 pandemic and responses?
 - a. If there are revised dates, could Defence please advise what they are?

Answers:

1. \$40.2 million in contingency funding, from within the overall budget approved at second pass, has been drawn down and applied to: spares provisioning, the identification friend or foe system, the navigation display system, commercial crew transit and Australian steel.
2. The applied contingency breakdown is:
 - \$9.6 million in spares provisioning to cover spares required as a result of sparing analysis conducted post second pass approval.
 - \$9.1 million for the identification friend or foe system identified by Navy in November 2016 to comply with future capability requirements.
 - \$2.7 million for the navigation display system which was included at second pass but later identified as requiring additional funding to bring the system to Navy's accredited standard.
 - \$15.5 million to contribute to commercial crew transit to Australia for both ships. Identified as a contingent event (with allocated contingency) at second pass.
 - \$3.3 million to purchase and export Australian steel used in the construction of the second ship.
3. The use of Australian steel in the second ship and the use of an Australian commercial crew to ferry the ships to Australia has lifted the level of Australian industry participation.
4. The transit dates for both ships have been impacted by the COVID-19 pandemic.
 - a. The current forecast delivery dates to Australia, based on the assumption that Spain continues to lift restrictions, are:
 - Ship 1 – Transit Q4 2020, Acceptance Q3 2021
 - Ship 2 – Transit Q2 2021, Acceptance Q4 2021

Public Accounts and Audit

Parliamentary inquiry – Defence Major Projects Report (Auditor-General's report Nos 19 and 22 (2019-20))

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA Major Projects Report and Future Submarine Program - 29 May 2020 - Q31 - SEA 1654 Ph3 Replacement Replenishment Ships Test Program - Patrick

Question reference number: 31

Senator/Member: Rex Patrick

Type of question: Written,

Date set by the committee for the return of answer: 10 June 2020

Question:

On page 269 under Emergent Risks the remedial action includes the statement: “Navy direction for the commercial crew delivery of the AOR Ships from Spain to Australia has reduced the risk to schedule for introduction into service due to the resultant shift in the test program and ship acceptance date”.

Could Defence please explain how shifting the test program to Australia has reduced the risk to the schedule for introduction into service?

Answer:

A delay experienced by Navantia in completing all the required Integrated Logistic Support (ILS) documentation placed a number of aspects of the ships acceptance and delivery in Spain at risk, including Navy crew training and provisioning of spare parts. Navy’s decision to have the ships delivered by commercial crew allowed crew training to be deferred to align with the arrival of the ships in Australia. This approach reduced the risk associated with the delayed ILS documentation on developing crew training courses and crew concurrency issues such as Navy familiarisation in Spain, ship system testing and ship acceptance while still employed operating other existing vessels.