

Joint Committee of Public Accounts and Audit - Auditor-General's reports Nos 25 and 53 and No.6 – 7 April 2014

Question on Notice No. 3 – Project Sign-Off

Ms Brodtmann MP asked on 7 April 2014, Hansard p. 6:

Ms BRODTMANN: How is that manifesting itself? Say with the MPR projects—the chasing of the two per cent—what is actually happening? I do not in any way want to diminish the accountability and transparency of what is going on in this space, but I am just wondering if it needs to be in another column or in another review rather than in project land. There is a number of projects in MPR that are still chasing the two per cent. What is going on? What are DMO and CDG, most importantly, and Defence, more broadly, doing to make sure that those projects are signed off?

Vice Adm. Jones: I am conscious that the DMO is not here. Could I suggest that if we took it on notice we could give you an update on the projects and how many are outstanding, an updated snapshot of where we are, and, then, what initiatives are underway to close any of the outstanding ones. It would include some of the reforms I have alluded to—it would have it in detail.

Response:

Regarding the closure and sign off of Major Project Report (MPR) projects the following response is provided:

- (i) Of the five projects removed from the MPR since 2007-08, four are still awaiting closure.
- (ii) Please refer to Attachment A for the update on the four outstanding closures.
- (iii) During financial years 2011-12, 2012-13 and 2013-14, a total of 107 DMO major and minor projects have been closed. 42 of these projects were major projects. New closure processes established in February 2013 have now been initiated which has reduced the project closure time in the order of four to eight weeks. Of the 180 major projects managed by the DMO, 24 are currently going through the closure process.

Snap Shot of Major Projects Report Removed Projects

| Removed from the 2011-12 Major Projects Report | | | | | | |
|---|----------------|--------------|--|--------------|--|---|
| Project Name | First Reported | Final Report | FMR Achieved | FOC Achieved | DMO Snapshot | Defence Snapshot |
| AIR 5376 Phase 3.2 – F/A 18 Hornet Upgrade Structural Refurbishment (Hornet Refurb) | 2008-09 | 2010-11 | As this project was not approved to introduce any new capability IMR, IOC, FMR and FOC were not defined. | | The DMO Project was closed in November 2011. | In 2010 Government approved the descoping of the project and the transfer of funds to sustainment to fund the Hornet Structural Assurance Consolidation Program managed by the DMO as a sustainment activity. |

| Removed from the 2012-13 Major Projects Report | | | | | | |
|--|----------------|--------------|---------------|---------------|---|--|
| Project Name | First Reported | Final Report | FMR Achieved | FOC Achieved | DMO Snapshot | Defence Snapshot |
| AIR 8000 Phase 3 – C-17 Heavy Airlift | 2008-09 | 2011-12 | December 2011 | December 2011 | The DMO Project closure forecast is planned for December 2014 upon delivery of agreed long-lead time C-17 Cargo Compartment Trainer. Delivery of the trainer was not required to achieve FOC. | Defence is currently preparing a proposal for Government consideration to reallocate up to \$100M of AIR 8000 Phase 3 unused funds to build a Maintenance facility, aircraft apron and associated infrastructure at RAAF Amberley. |

| Removed from the 2013-14 Major Projects Report | | | | | | |
|--|------------------------------------|--------------|--|--|---|---|
| Project Name | First Reported | Final Report | FMR Achieved | FOC Achieved | DMO Snapshot | Defence Snapshot |
| AIR 5349 Phase 1/2 – Bridging Air Combat Capability | Phase 1 2008-09 Phase 2 2010-11 | 2012-13 | Ph 1 - December 2012 Ph 2 – August 2012 | Ph 1 - December 2012 Ph 2 - December 2012 | Final deliveries of weapons and remediation of the Evans Head Air Weapons Range are planned to be delivered over the next two years. The DMO Project closure is forecast for December 2016. | In 2013 Government agreed to extend the planned withdrawal date of the Super Hornets from 2020 to 2030. DMO is currently establishing revised sustainment arrangements to accommodate the extension to the planned withdrawal date. |
| SEA 1444 Phase 1 – Armidale Class Patrol Boat | 2007-08 | 2012-13 | November 2007 | October 2012 | Currently progressing through Project closure. | The Patrol Boats are operational and are planned to remain in service until 2022. |
| LAND 19 Phase 7A – Counter-Rocket Artillery and Mortar | 2011-12 | 2012-13 | January 2013 | January 2013 | The DMO Project Closure planned for March 2015. | Following successful deployment of the system in Afghanistan Defence is preparing a business case for Government consideration in early 2015 to introduce the CRAM system into service. |

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Question on Notice No.4 - Sustainment

Ms Brodtmann MP asked on 7 April 2014, Hansard p. 7:

Ms BRODTMANN: And going to my second question about the sustainment: would it be appropriate, given paragraph 70, to get visibility of what is happening—a whole of life—to have an acquisition report and a sustainment report?

Vice Adm. Jones: Perhaps I could take that response on notice as well. Certainly the capability managers and also the CEO DMO would have a view. Sustainment is not something that is in the CDG's swim lane.

Response:

The Major Projects Report provides information on 29 major projects managed by the DMO. A similar report covering sustainment is not considered feasible as it would provide substantial intelligence information on Defence's preparedness and as a result would be classified.

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Question on Notice No. 6 - Terminated Projects

Dr Southcott asked on 7 April 2014, Hansard p. 24

CHAIR: Can I also ask you about the terminated projects on page 252 of the report, there are some examples of terminated projects where Defence is unable to provide figures on the amount spent even though the amount spent was greater than \$10 million. Why is Defence unable to quantify the amount spent? It is table 13.1 on page 252 and 253 of the ANAO audit report.

Vice Adm. Jones: We may not be able to provide the total figure. We could provide a minimum figure of what is available.

CHAIR: I have just got the table in front of me: Combat ID, Defence unable to provide figures; Self-Propelled Howitzer, Defence unable to provide figures; Enhanced Bridging Capability, Defence unable to provide figures; terminated projects.

Vice Adm. Jones: We can provide some figures. It may not be a comprehensive figure, but we could do that.

Response:

Defence does hold this information and is able to provide figures for the three projects listed in Table 13.1 of the report. Details listed below:

LAND 146 Phase 2 (Combat Identification)

The amount spent was \$3.839 million.

LAND 17 Phase 1C (Self-Propelled Howitzers)

The acquisition of Self-Propelled Howitzers was originally part of a broad project to replace Army's artillery capability with Light Towed Howitzers, Self-Propelled Howitzers, and digital fire control systems. First Pass was received for the entire capability under LAND 17 Phase 1, however elements progressed to Second Pass as sub-phases – the Self-Propelled Howitzers became Phase 1.C.

Shortly before its scheduled Second Pass, the previous Government decided not to progress Phase 1.C.

As First Pass approval was received for the entire capability, it is difficult to distinguish precisely expenditure solely on the Self-Propelled element. However, the total expenditure on First to Second Pass funding for the entire LAND 17 capability is around \$7.95 million of which around \$2.7 million can be attributed to the Self-Propelled Howitzers.

LAND 139 Phase 2 (Enhanced Bridging Capability)

According to Defence records, no funds were spent. The project was added to the Defence Capability Plan (DCP) in 2002 and removed from the DCP in 2003. The

project was cancelled before Government approval and no funds were spent before cancellation.

All three of the projects were cancelled before Second Pass.