

Joint Committee of Public Accounts and Audit

Defence Major Projects Report 2015-16 – 31 March 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: FOC Caveats - Wedgetail

Question reference number: 1

Senator: Smith

Type of question: asked on Wednesday, 12 April 2017, Hansard page 3

Date set by the committee for the return of answer: 1 May 2017

Question:

CHAIR: You have never seen it before and you have been involved in this area for 20 years, so the fact that FOC was given with caveats—or with a caveat, but in this case we are talking about multiple caveats—is exceptional. That is my word, but—

Mr Gillis: There have been other examples outside the helicopter space. The Wedgetail aircraft was accepted and put into FOC. That was done within the last five years.

CHAIR: With how many caveats?

Mr Gillis: I am not sure. I would have to take that on notice.

CHAIR: Yes, please. That is one—

Mr Gillis: In other domains, there have been other areas, but I can give you specifics if I can take them on notice.

CHAIR: Please do.

Answer: test text

While not termed “caveats”, at the time of Wedgetail Final Operational Capability there were six partially complete Final Operational Capability requirements.

Two related to software improvements, subsequently closed with the delivery of initial in-service software builds. One related to Operational Test and Evaluation reliant on an Exercise scheduled post-Final Operational Capability, subsequently closed following the successful participation in Exercise Red Flag. One related to availability of operational crews, subsequently closed with sufficient crews in place to meet current operational tasking requirements. One related to additional, contemporary accommodation at RAAF Tindal, which is being delivered in conjunction with other facilities developments in 2019-20. The final requirement was one operational datalink becoming obsolete prior to Final Operational Capability and being remediated in the near term through an incremental approach initiated with software upgrades under Phase 3, closed with a terminal hardware upgrade through AIR 5077 Phase 5A.

None of these “caveats” undermine the operational utility of the Wedgetail capability (otherwise Final Operational Capability would not have been declared). Such important but minor issues are commonly managed at time of Initial Operational Capability and Final Operational Capability to ensure the full complement of enabling inputs are delivered.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Definition - Australianised MOTS

Question reference number: 2

Senator Brodtmann

Type of question: asked on Wednesday, 12 April 2017, Hansard page 10

Date set by the committee for the return of answer: 1 May 2017

Question:

Ms BRODTMANN: But that is part of the problem: the fact that we buy MOTS—well, it is billed as MOTS when quite often it is developmental—but then also we Australianise the MOTS. And so the real challenge then is: how do we as a committee get an understanding of how much Australianising you are going to be doing—because that could potentially lead to scope change, and spec change, as well as possibly getting into developmental. So we go from a MOTS capability into developmental capability or an Australianised MOTS or an Australianised development. This is the challenge. Again, is there a clear definition about the Australianised MOTS too? Amongst the VCDF and the executive group and the capability—

Air Vice Marshal Hupfeld: To get you a more mature answer to that question Ms Brodtmann, we would probably take that on notice.

Answer:

In developing capability options a range of solutions are considered:

Off-the-Shelf Options. Off-the-shelf¹ is defined as a system or equipment that:

- a. is already established in-service with the armed forces of another country or Australia or is anticipated to be at the time a Second Pass decision is sought;
- b. is sourced from an established production facility (not just a military off-the-shelf design);
- c. requires only minor, if any, modifications to deliver interoperability with existing Australian Defence Force and/or allied assets; or
- d. is in-service with one or more other customers with the equivalent purpose.

¹ 22a (i to iii) are sourced from: Department of Defence, 2008, Going to the next level: the report of the Defence Procurement and Sustainment Review p 17, David Mortimer et al. 22a (iv) is a variation on 22a(i) to note that an OTS may be in non-military service.

Off-the-shelf solutions may either be military off-the-shelf or commercial off-the-shelf.

Modification of off-the-shelf. An option may propose modification to an off-the-shelf solution. The modifications might be proposed to meet particular Australian Defence Force operational requirements. It is also important to recognise that the first-time integration of a number of separate off-the-shelf systems may no longer be an off-the-shelf solution and must therefore be considered as developmental.

‘Australianisation’ and modification of off-the-shelf. Any option that proposes the ‘Australianisation’ or modification² of off-the-shelf equipment must detail the rationale and associated costs and risks. The body of each Initial Business Case must include an discussion of the rationale for undertaking further analysis of some of the options and, at a high level, the cost, capability, schedule and risk trade-offs between the different option

Developmental. A developmental option is an option to provide a capability that does not currently exist. Developmental options have the potential to deliver the capability required but the technical and schedule risk is usually high, and costs are normally more uncertain. Such an option might be delivered through:

- a. the development of an entirely new product, including participation in another nation’s developmental program; or
- b. the integration of existing off-the-shelf components to deliver a new product.

Modification of Existing Systems. Some projects may propose a modification to an existing capability platform or system due to:

- a. external regulatory requirements;
- b. internal technical requirements;
- c. integration (including interoperability) requirements; and
- d. capability enhancements.

Sustainment Solution. Some projects are introduced for the sole purpose of modifying the sustainment solution of a capability that is already in-service, or is being introduced into service

² The modifications to a system or equipment might be proposed to meet the particular requirements of the Australian and regional physical environments and the ADF’s particular operational requirements. They may also be needed to meet national legislation and regulatory requirements (eg Workplace Health and Safety).

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: System to track Inputs to Capability

Question reference number: 3

Senator: The Committee

Type of question: Written

Date set by the committee for the return of answer: 1 May 2017

Question:

In 2014 the JCPAA recommended a more objective method be applied to capability performance, noting that Defence had no systems in place to track inputs to capability. What actions have been taken over the last three years?

Answer:

Defence did not agree with the recommendation made in 2014. The reasons cited included the limited ability at that time to have full visibility of all Fundamental Inputs to Capability and due to the intrinsic difficulty in objectively measuring the capability provided compared to that originally sought (citing a report from Mr Bernard Gray - 2009 Review of Acquisition for the Secretary of State for UK Defence - which stated on Page 16 ‘...it has not been possible to establish definitively in this study how much of the military capability originally sought was delivered, because that is not easily expressed in quantitative terms...’).

Since that time the creation of One Defence, driven by the First Principles Review, has created a more holistic view of capability delivery and will, in the future, allow an improved view to be taken of capability with a more integrated arrangement between Capability Managers and Delivery Agencies. Defence is working with the Australian National Audit Office to refine the current Capability Performance Assessment.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Capability Performance Assessments – Project Maturity Scores – Other Jurisdictions

Question reference number: 4

Senator: The Committee

Type of question: provided in writing

Date set by the committee for the return of answer: 1 May 2017

Question:

Are Capability Performance Assessments and Project Maturity Scores performed with more rigor, consistency and meaningful results in other jurisdictions or equivalent project types? How could these be applied in Australia?

Answer:

After an initial assessment into equivalent Major Projects Reports in the United Kingdom, it appears that the United Kingdom has a similar methodology and reporting regime. As the methodology and guidelines behind these performance assessments is currently unknown, the Department of Defence will work with our United Kingdom counterparts to source further information. The application and possible use of their methodology will be determinant on the availability of similar reporting data. Improvements will be incremental and will be reflected in the Major Projects Report as they are available.

The future of Capability Performance Assessments and Project Maturity Scores are currently under consideration. Further collaboration is required between Defence and the Australian National Audit Office as to the purpose of these measures, the transparency to be provided, and what is possible within the constraints of the data available to Defence. This work may include investigation of best practice, depending if applicable measures can be identified.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Project offices not using PRMM 2.4

Question reference number: 5

Senator: The Committee

Type of question: provided in writing

Date set by the committee for the return of answer: 1 May 2017

Question:

The ANAO found several instances of project offices not using PRMM 2.4 to guide their use of contingency funds or to maintain their Risk Management Plan. Why is this the case, and what is Defence doing to drive projects to use the most up to date PRMM?

Answer:

The First Principles Review has driven a renewed imperative on having risk-based planning and decision-making as one of the key drivers of how projects are managed through the Capability Life Cycle. The approach to capability development and delivery in Defence is now premised on having a thorough understanding of risk.

In response to the First Principles Review and to support risk-based capability development and delivery, Defence has undertaken a number of initiatives to address the consistent application of PRMM across acquisition projects. This in turn, will also help ensure contingency funds and risk management plans are appropriately and regularly managed by project offices.

Since the introduction of the revised Capability Life Cycle, Defence has:

- established the Program Management Centre of Expertise whose services include, amongst others, providing hands-on support to project teams to apply risk management consistently through activities such as training, one-on-one support, risk reviews and workshop facilitation. A dedicated team of risk professionals has been stood up to provide risk management support services to project teams;

- developed a new process to document and report the performance of acquisition projects to Defence senior leaders through the Project Performance Report. The Project Performance Report captures performance information such as the programming and allocation of contingency, critical risks and the association between the two in line with the PRMM. The Project Performance Report and its reporting template is currently being piloted across a selection of acquisition projects. It is expected that the Project Performance Report will have a cascading effect in ensuring risks and contingency allocation are intrinsically linked given the level of senior leadership oversight;
- commenced the Program Management Implementation Initiative which will be responsible for establishing Defence-wide program management practices including disciplines such as program risk management;
- embedded the Smart Buyer methodology to enable the high level identification of key project risks and drivers to support the development of tailored approvals, project management, acquisition and sustainment strategies; and
- commenced a review of the Capability Acquisition and Sustainment Group's entire current risk management framework, practices, systems and methodologies in light of its new operating environment. An anticipated outcome of the review will be a remodeled Capability Acquisition and Sustainment Group organisational risk management framework.

In conjunction with the independent review, Defence will also be reviewing the currency and relevance of PRMM version 2.4.

Defence will be reviewing PRMM version 2.4 to reassess its practicality and fitness for purpose for project offices in the context of the revised Capability Life Cycle. Defence will be also investigating how PRMM can be streamlined to encourage a higher level of compliance but at the same time continue to support projects demonstrate the execution of their governance and due diligence responsibilities.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Tiger PDSS – Tiger Sustainment Organisation – Constrained engineering capacities

Question reference number: Q6

Senator: Unknown

Type of question: Written

Date set by the committee for the return of answer: 1 May 2017

Question:

The Tiger PDSS reports ‘The Tiger sustainment organisation has also experienced issues with staff turnover and retention’.¹ What are the causes of turnover and retention for this project, and how do they affect the project?

Answer:

Organisational tempo and change (i.e. scope and complexity) are key causes of staff turnover in both Airbus Group Australia Pacific and the Army Aviation Systems Program Office staff responsible for Tiger. Staff turnover typically results in a loss of corporate knowledge and affects the relationship between industry and Defence. Tiger is a highly complex weapons and sensor platform and substantial time is required to develop skills and competencies on the aircraft systems. Loss of staff has created additional pressure and increased workload on the remaining staff. Currently, this is mitigated through prioritisation of work, engagement of contracted resources to fill vacancies and through a deliberate leadership effort to improve communications and management practices.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: ARH Tiger PDSS - Tiger Sustainment Organisation - Constrained engineering capacities

Question reference number: Q7

Senator: Committee

Type of question: Written

Date set by the committee for the return of answer: 1 May 2017

Question:

The Tiger PDSS states 'Defence and industry engineering capacity is constrained with the potential to affect capability. Defence and industry are closely managing Tiger engineering priorities. This issue is being managed by the Tiger sustainment organisation'. Can Defence please elaborate on how these constrained capacities will affect the Tiger project?

Answer:

A competent engineering workforce is essential to support a highly complex weapons and sensor platform like Tiger. It takes many years of post-graduate training and experience to develop the skills and engineering judgment to make authorised decisions and fulfill technical airworthiness delegations. To make best use of the available engineering resources, in 2015, concurrent to a range of program improvements, Commonwealth team members of Army Aviation Systems Program Office responsible for Tiger co-located with Airbus Group Australia Pacific at an industry facility near Brisbane Airport. This initiative was designed to enhance communications, reduce duplication and improve service delivery outcomes to the Tiger operational capability. Transition to the Defence Aviation Safety Regulations have seen further organisational changes and regulatory shifts made within the Airbus and Army Aviation Systems Program Office operating environment. Loss of engineering staff has created additional pressure and increased workload on the remaining technical staff. Currently, this is mitigated through prioritisation of work, engagement of contracted resources to fill vacancies and through a deliberate leadership effort to improve communications and management practices.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: HMAS *Dechaineaux* – Sea Trials – SF Exit/Re-Entry Modification

Question reference number: 8

Senator: The Committee

Type of question: provided in writing

Date set by the committee for the return of answer: 1 May 2017

Question:

Have the required sea trials to determine whether HMAS *Dechaineaux*'s Special Forces Exit and Re-Entry modification is operating effectively taken place yet?

Answer:

Yes.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: LHD Landing Craft – Cancelled Trials – Limitations placed on Craft

Question reference number: 9

Senator: The Committee

Type of question: provided in writing

Date set by the committee for the return of answer: 1 May 2017

Question:

Without the cancelled LHD Landing Craft trials taking place, what limitations have been placed on the use of the LHD Landing Craft?

Answer:

The Landing Helicopter Dock landing craft continue to be evaluated as part of the Sea Worthiness and Acceptance into Service process. The operational limitations are being evaluated as part of that process and confirmed against the specifications identified during the acquisition of the landing craft.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Claimed 99% Capability Performance Analysis - LHD Landing Craft Trials

Question reference number: 10

Senator: The Committee

Type of question: Written

Date set by the committee for the return of answer: 1 May 2017

Question:

How can Defence validly claim 99 per cent expected capability performance analysis scores if the LHD Landing Craft trials are so uncertain?

Answer:

A recognised Independent authority, the Classification Society, Lloyds Register have certified the Australian Landing Helicopter Dock Landing Craft to carry loads up to 65 tonnes. This certification is based on Landing Helicopter Dock Landing Craft technical data supplied to Lloyds Register by the Original Equipment Manufacturer (Navantia). The carriage of 65 tonnes on the Australian Landing Helicopter Dock Landing Craft was successfully tested and completed in Spain during the Navantia Acceptance Test and Evaluation trials conducted in 2013-2014.

The successful testing and certification of the materiel resulted in the 99 per cent "Green" claim in the Materiel Capability Performance Chart.