

Joint Committee of Public Accounts and Audit

Parliamentary inquiry – Defence First Principles Review, Naval construction—
Auditor-General's reports Nos 34 and 39 (2017-18)

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: JCPAA - Defence First Principles Review, Naval construction - Auditor-General's reports Nos 34 and 39 - 12 September 2018 – Q6 - projected versus actual sustainment costs - Patrick

Question reference number: Number 6

Senator Rex Patrick

Type of question: Spoken

Date set by the committee for the return of answer: 10 October 2018

Question: Senator PATRICK: I want to follow up on a couple of lines of questioning from other members and senators. First, I will go to sustainment, and I will direct this question to the department and the Auditor. Has there been any analysis done in respect of what Defence presented to government at second pass for previous projects in terms of sustainment costs versus the actuals?

.....
Senator PATRICK: There is certainly value in looking back at what you did and then comparing that against the actuals and then asking, 'Why did we get that right?' or 'Why did we get that wrong?' I am just asking whether that has been done.

Answer:

There are a number of factors that contribute to variations between budgeted and actual sustainment costs. These include:

- changes in the planned life of type of the capability;
- changes in the planned rate of effort or operating tempo of the capability;
- industry capacity in some locations;
- contract negotiations for sustainment activities; and
- economic conditions in other countries which impact on costs (e.g. overseas labour rates, inflation etc.)

The three Services undertake a formal review process twice a year of their sustainment activities and costs. Budget adjustments are made to account for capability requirements, changing capability priorities and other economic factors as outlined above.