

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q1: Medibank contract - non-listed surgeons/specialists

Senator Johnston asked on Wednesday 13 February 2013, Hansard page 15:

In the last four months, how many non-listed surgeons or specialists have we used?

Response:

For the period 4 November 2012 to 27 February 2013 there were a total of 14,983 initial medical specialist appointments made for Australian Defence Force members. Of those, 4,284 appointments to 1,324 individual non listed Medibank Health Solutions specialists/surgeons were made.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q2: Medibank contract

Senator Johnston asked on 13 February 2013, Hansard page 18:

Could a copy of the Medibank contract be provided to the Committee?

Response:

The contract cannot be released publicly because it is commercial-in-confidence. It can be discussed on a confidential basis at a private briefing.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q3: Budget - Project Savings

Senator Johnston asked on 13 February 2013, Hansard page 26:

What projects have been moved to the right, yielding what sorts of savings from deferrals?

Response:

Defence remains committed to the core capabilities outlined in the 2009 Defence White Paper and continues to make substantial progress in implementing these capability priorities.

The reprioritisation of Defence expenditure in the 2011-12 budget was designed to have minimum impact on the delivery of core Defence capabilities. A number of lower-priority capability projects were deferred with a small number cancelled where they were superseded by alternative capabilities, and other capability and facility programs were subject to re-scoping. Australia will continue to maintain one of the strongest military capabilities in our region.

The 2013 Defence White Paper reaffirms the core capability commitments made in the 2009 Defence White Paper and since 2009.

As outlined in the 2013 White Paper, 'The 2012 Force Structure Review assessed capability priorities against the backdrop of Australia's contemporary strategic environment and Defence's budget position in light of fiscal realities. The Review confirmed the need to deliver priority ADF capabilities within available resources in the near-term, while continuing to progress enabling capabilities essential to the ADF being a capable, integrated joint force'.

As outlined in the 2013-14 Portfolio Budget Statement, 'Defence will continue to implement Government's priorities including enhanced ADF activities in the Indo-Pacific region. Implementation of agreed recommendations of the ADF's Force Posture, and introduction into service of new major capabilities such as the Landing Helicopter Dock ships and the EA-18G Growler.

In conjunction with establishing the new funding model for Defence, the Defence budget has been reprofiled over the Forward Estimates for expenditure on priority Capital Investment and Sustainment Programs. This includes the acquisition of 12 new EA-18G Growler aircraft, as announced in the White Paper, for which the Government will also provide Defence an additional \$200 million in 2014-15.

The reprofiling of the Budget will in the usual way involve adjustments to the priority of activities across Defence, including proposed capability acquisitions. Details will be provided in the next Public Defence Capability Plan, to be published before the end of the 2012-13 Financial Year.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q4: Procurement - Australia v Foreign Military Sales

Senator Humphries asked on 13 February 2013, Hansard page 76:

Could you give us the figures for percentage of spend in Australian versus Foreign Military Sales over the last three years?

Please provide a breakdown of figures between sustainment and acquisition.

Response:

- (1) The table below provides a breakdown of Defence Materiel Organisation (DMO) materiel expenditure. This table splits the breakdown between Foreign Military Sales (FMS) activity, other overseas non-FMS activity, and domestic activity by acquisition and sustainment purposes. The category breakdown is consistent with evidence provided at the hearing.
- (2)

Financial Year	2010-11	2011-12	2012-13
SUBTOTAL DMO Overseas Materiel Expenditure	47%	48%	48%
of which FMS	17%	14%	13%
<i>of which Acquisition</i>	<i>15%</i>	<i>12%</i>	<i>10%</i>
<i>of which Sustainment</i>	<i>2%</i>	<i>2%</i>	<i>3%</i>
of which Overseas non-FMS	30%	34%	35%
<i>of which Acquisition</i>	<i>21%</i>	<i>24%</i>	<i>24%</i>
<i>of which Sustainment</i>	<i>9%</i>	<i>10%</i>	<i>11%</i>
SUBTOTAL DMO Domestic Materiel Expenditure	53%	52%	52%
<i>of which Acquisition</i>	<i>21%</i>	<i>19%</i>	<i>16%</i>
<i>of which Sustainment</i>	<i>32%</i>	<i>33%</i>	<i>36%</i>
TOTAL DMO Materiel Expenditure	100%	100%	100%

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Senate Estimates – 13 February 2013

Q5: Retention bonuses for Navy marine technicians

Senator Humphries asked on 13 February 2013 Hansard page 39:

Could you give us the figures since the program's inception on how many people have received the bonus, and on what the separation rates have been in each of the categories for which people have been receiving the bonus?

Response:

Individual Retention Bonuses

The number of Marine Technicians who have received an Individual Retention Bonus are: Submarine qualified-32, Armidale Class Patrol Boat qualified-17, Charge Certificate qualified-68 and Anzac Class Frigate qualified-108. Note that bonuses will continue to be processed until September 2013 as personnel become eligible for the Armidale Class Patrol Boat and Charge Certificate bonus.

Separation Rates

The separation rates for the categories in which people have been receiving the bonus are detailed in the table below. Note the very small sample sizes for Marine Technician (Submarines) can produce percentages that are not informative.

12 Month Rolling Separation Rates (Percentage)

	As at 30 Jun 12			As at 31 Jan 13		
	CPO	PO	LS	CPO	PO	LS
Marine Technician	10.8	13.9	17.4	4.8	9.6	15.1
Marine Technician (Submarines)	9.1	9.5	22.2	20.0	4.8	19.4
Navy Sailor Average	6.8	7.9	11.0	5.8	7.6	10.8

In summary:

- a. Marine Technician Category. The separation rates for the Chief Petty Officer, Petty Officer and Leading Seaman ranks have improved overall in seven months.
- b. Marine Technician (Submarines) Category. The separation rates for the Petty Officer and Leading Seaman ranks have improved, but the Chief Petty Officer rank had one additional separation.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q6: Rizzo Review - progress of recommendations

Senator Fawcett asked a question on Wednesday 13 February 2013 Hansard page 40:

Please provide feedback on the progress of recommendations 13, 17 and 21.

Response:

In July 2011 the Government accepted all 24 recommendations contained in the *Plan to Reform Support Ship Repair and Management Practices (July 2011)* by Mr Paul Rizzo. The progress of recommendations 13, 17 and 21 are as follows:

- (a) Recommendation 13 as described in the *Plan to Reform Support Ship Repair and Management Practices (July 2011)* on page 56 is to: Establish an Integrated Risk Management System. The Navy and the Defence Materiel Organisation (DMO) should develop an integrated risk management system for maintenance of maritime capability. This must emphasise: the vertical link between risk appetite at the enterprise level and its application at the workplace; and the horizontal processes necessary to capture the full risk benefit trade off.

Progress to date:

Implementation of Recommendation 13 was initially focused on an integrated enterprise risk management framework, to cover the full breadth of the Navy capability management enterprise. This framework is not confined to technical, engineering or materiel risk but, consistent with Mr Rizzo's report (paragraph 6.3.1), embraces broader enterprise risk management. Noting the significant synergies and the significant, integral part of enterprise risk management to be achieved through development of Seaworthiness Management, it was decided in May 2012 that implementation of the Seaworthiness Management System would be included in the scope of implementing Recommendation 13, thereby adding significantly to the scope of the implementation project.

During the second half of 2012 and early 2013, implementation progress has included completion of a Project Definition stage to fully define the expanded scope of the implementation project and to authorise design and definition of specific products in the areas of both Seaworthiness Management and the broader integrated enterprise risk management framework.

Phased implementation of a Defence Seaworthiness Management System across the Navy and Defence commenced on 1 July 12, with the appointment by the Chief of the Defence Force and the Secretary, of the Chief of Navy as the Defence Seaworthiness Authority. This was followed in Feb 2013 by appointments of the Operational, Support and Technical Seaworthiness Authorities, and the updated appointment of the Naval Flag Administrator within the Seaworthiness Management System context. These appointments will provide the foundation for operating the Seaworthiness Management System.

The Seaworthiness Management appointments have been accompanied by production of an overarching concept and architecture for Seaworthiness Management, to guide and integrate development of the regulatory framework and the role of the Naval Flag Administrator as well as the Operational, Technical and Support Seaworthiness management roles. Implementation of Operational Seaworthiness Management arrangements are well advanced within the Fleet Command and Technical Seaworthiness Management is being developed within rebuilding the Navy's engineering capabilities (Recommendation 17). Support Seaworthiness Management is more broadly based and less readily understood, but its initial concept and scope have now been defined.

Integrated enterprise risk management is being progressed through enhancement, aggregation and integration of existing specialised risk management systems and their products within the Navy / DMO's Interdependent Mission Management System.

- (b) Recommendation 17 Rebuild Navy Engineering Capability as described on page 66 in the *Plan to Reform Support Ship Repair and Management Practices (July 2011)* is: Navy Engineering should be rebuilt and reorganised to reduce fragmentation, increase authority, clarify accountability, and enable the Head Navy Engineering to fulfil his role as the Technical Regulatory Authority. It should be led by a 2 star Navy Officer to give weight to this important technical and compliance function.

Progress to date:

The approach taken to addressing Recommendation 17 has been to develop a Blueprint for a future Navy Engineering system that will address the symptoms that caused the "hollowing out" of the navy engineering function. The specific functions that are being reformed under this recommendation include the support systems that provide the engineering and technical services, the management of workforce that delivers the engineering outputs, the assurance of the material state of our ships and systems; and the range of policy and supporting information systems that ensure consistency and quality in the management of the engineering function.

The Navy Engineering blueprint has been translated into a Navy Engineering Strategic Plan led by a Navy two star officer. The plan will see elements of rebuilt engineering system being implemented in the Mine Warfare and Clearance Diving class before the end of June 2013.

- (c) Recommendation 21 as described in the *Plan to Reform Support Ship Repair and Management Practices (July 2011)* on page 68 is to: Reinstate the Cultural Importance of Technical Integrity. The Navy in collaboration with DMO should introduce a cultural change program that promotes technical integrity as a key enabler of operations.

Progress to date:

The Seaworthiness Culture Project (formerly the Technical Integrity Culture Project) is implementing Recommendation 21 through a three stage Implementation Plan that will support a range of cultural development/intervention strategies aimed at all levels of leadership and training and which will align with New Generation Navy signature behaviours and values.

In 2012, the Seaworthiness Culture Project completed A 'Review of Reviews' of approximately 20 major Defence Reviews and Boards of Inquiry. From this, a gap analysis was conducted to determine the activities required to put in place a "Seaworthiness Culture" across the Navy and DMO.

Four "Seaworthiness Obligations" (Sustainable, Informed, Collaborative and Accountable) were endorsed by the Chief of Navy in October 2012 to become the foundation stone of a Seaworthiness Culture across the Navy and DMO.

The Seaworthiness Culture Project has conducted the first of a series workshops and focus groups to help embed a Seaworthiness Culture within the (Navy) groups/ (DMO) System Program Offices as part of the Rizzo Review Program Release Schedule and these will continue through 2013-14.

Other initiatives include developing a range of educational and communication products to help raise awareness, developing a governance framework, which will manage and report the progress of Seaworthiness Obligations cultural obligations implementation across the Navy, DMO and wider Defence, Awareness Workshops; developing a program of rewards and performance incentives to guide personnel in living the Seaworthiness Obligations; the development of Training Continuum adjustments to reflect a Seaworthiness Culture/behaviour amongst the Navy and DMO leadership and training courses.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q7: ASLAV Repairs

Senator Fawcett asked on 13 February 2013, Hansard page 45:

Are all ASLAV repairs done within Original Equipment Manufacturer (OEM) guidelines?

Response:

Yes, Army Maintenance Instructions follow OEM guidelines. Maintenance is conducted in a number of ways including:

- Unit workshops, by Army trades-people and General Dynamics Land Systems-Australia (GDLS-A) staff (OEM representatives in Australia);
- Formation workshops, by Army trades-people;
- Joint Logistics Command (JLC) Business Units, by JLC contracted staff; and
- GDLS-A's facility at Pooraka, South Australia, by GDLS-A staff.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q8: ASLAV Turrets

Senator Fawcett asked on 13 February 2013 Hansard page 45:

- (a) Do you have any reports of the turrets that are used around the world?
- (b) Do you have any reports of those being maintained outside of Original Equipment Manufacturer (OEM) guidelines?
- (c) Do you have any reports of the cost of rectification of the maintenance of turrets outside of the guidelines?
- (d) Is there any veracity of the costs being approximately \$1 million per turret?

Response:

- (a) Yes. Over 400 LAV-25mm turrets and turret shells have been manufactured in Australia by General Dynamics Land Systems – Australia (GDLS-A) over the period 2001 to 2013. These turrets are in service with the Australian Army, New Zealand Army, Canadian Army, United States Marine Corps and one Foreign Military Sales customer.
- (b) No. Questions relating to these reports should be directed towards the OEM.
- (c) No.
- (d) Questions relating to commercial costs should be directed to the OEM.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q9: ANAO Audit of LAND 121 Phase 3B in the Major Projects Report

Senator Fawcett asked on 13 February 2013 Hansard page 47.

With respect to ANAO audit of Phase 3B, major project issues. It talks about the contract negotiations as an issue affecting the schedule, but it says here that the issue has been retired. Could you explain why ANAO were provided with the information that this issue has been retired when it is clearly very much alive?

Response:

In the 2011-12 Major Projects Report (p. 254), Defence advised the ANAO and the ANAO agreed that two Project Issues for project LAND 121 Phase 3B had been retired. The retired issues related to achievement of Initial Operational Capability (schedule) and the affordability of the Army's Basis of Provisioning (scope) for the Medium / Heavy Capability scope elements of the project.

The issues were advised and agreed as retired because of two actions proposed by Defence and agreed by Government. Firstly, following Government consideration in 2011, the project scope was adjusted to amend the Basis of Provisioning so that it could be affordable. Secondly, the schedule for LAND 121 Phase 3 was reset to a later date. The Project was also split into Phase 3A – Light / Light-weight Capability, and Phase 3B – Medium / Heavy Capability.

Defence continues to closely monitor the health of this project. The scope and schedule milestones for the Medium / Heavy Capability are the subject of current negotiations and will be presented to Government for a "revised second pass" once negotiations are completed, schedule parameters and provisioning are agreed with Army and affordability confirmed.

Risks to scope, cost and schedule will be reconsidered as part of the development of the Phase 3B second pass submission to Government and the risk register updated for Phase 3B to reflect the new risk assessment.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q10: Abrams Tanks

Senator David Fawcett asked on 13 February 2013, Hansard page 47:

- (a) Is the maintenance for Abrams tanks conducted in accordance with Original Equipment Manufacturer (OEM) requirements, in terms of configuration control?
- (b) Has Army sent people across to the Abrams user group within the last 12 months? If so, have they brought back recommendations for changes to the configuration of the Abrams tanks? Have those recommendations been discussed with the OEM in terms of suitability for the configuration that Australia operates? Has any exclusion of the OEM been driven by lack of funds in terms of the sustainment funds for the A-vehicle fleet?
- (c) Are there proposals to conduct an upgrade program in-house that combines the US Marine Corps and the US Army configurations without the imprimatur of the OEM?

Response:

- a) Army conducts all maintenance in accordance with the Original Equipment Manufacturer's (OEM) requirements and works closely with the Tank-automotive and Armaments Command (TACOM), a United States Army agency, to manage the configuration of the Australian Abrams Tanks. TACOM is the Abrams tank design authority.
- b)
 - i. Army was represented at the Abrams User Nation Group, in Detroit, United States, over the period 8-10 October 2012.
 - ii. The Australian Army's Post Activity Report makes a recommendation to consider upgrades that the USMC and US Army are carrying out.
 - iii. No.
 - iv. No.
- c) There are no currently approved plans for an upgrade. Any future upgrade would continue to be supported by the OEM.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q11: Defence Logistics Transformation Program

Senator Ian MacDonald asked during the hearing on 13 February 2013

- (a) Did the Parliamentary Secretary, or anyone in Defence, speak to contractors about not taking other contracts and ramping up the workforce? (Refer to Parl Sec media release 13 Nov 2012 regarding the \$752m DLTP initiative)
- (b) What is the timetable for spending the \$145m that Senator Feeney referred to in his letter to the editor (The Townsville Bulletin, 22 January 2013)?

Response:

- (1) No.
- (2) Around \$8.4m of works will be undertaken this financial year, commencing in March 2013. These works include:
 - Drainage and sediment detention ponds; and
 - Replacement of a storage facility for the 10th Force Support Battalion.

The remainder of the construction at Lavarack Barracks (around \$136.5m) is currently planned to commence in 2014 and be complete by late 2016.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q12: Towed Howitzer

Senator Johnston asked on 13 February 2013 Hansard page 52.

Following the cancellation of LAND 17, did the replacement Howitzer project include the costs of new trucks for the towing that would have been procured under LAND 121?

Response:

Land 17 Phase 1C will deliver a modern artillery capability, which will be networked and capable of delivery of precision guided munitions.

Government approved Land 17 Phase 1C.1 (Lightweight Towed Howitzers (LTH) only) in October 2012 to acquire 19 M777A2 LTH. A second project phase, Land 17 Phase 1C.1 LTH Capability Assurance Program is due to be brought to Government for approval in late 2013, and will acquire those inputs needed to realise the full capability.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q13: Navy Sustainment

Senator Johnston asked on Wednesday 13 February 2013 Hansard page 56.

Chief of Navy, last time we discussed that you had to take \$10m from that sustainment budget for *Choules*. Have we had to hit that budget up any more for anything else other than submarines?

Response:

No. There has not been a redirection of funding from the required Collins sustainment budget.

As previously explained, the \$10m transferred from the submarine sustainment budget was taken from funds allocated to submarine sustainment by Navy ahead of the supplementation announced in the May 2012 Federal Budget. After the supplementation the allocation became surplus to Collins sustainment requirements and could therefore be used to address funding pressures for other capabilities.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q14: Submarine docking

Senator Johnston asked on 13 February 2013, Hansard page 62:

- (a) What is the planned schedule for the mid-cycle docking of HMAS *Dechaineux*?
- (b) What have you budgeted for 2013-14 for Collin's full cycle docking?

Response:

(a) HMAS *Dechaineux* is currently scheduled to conduct a mid-cycle docking from July 2013 to December 2014.

(b) The funding allocated to the full cycle docking of HMAS *Collins* in financial year 2013-14 is between \$90 and 100 million. The *Collins* full cycle docking program may change as recommendations of the Coles Review are implemented. This may alter the funding required to progress the full cycle docking during financial year 2013-14.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q15: Navy personnel

Senator Johnston asked on 13 February 2013 Hansard page 64.

Regarding the United Kingdom lateral transfer program, are their families with them?

Response:

Of the five submariners laterally recruited from the United Kingdom in the financial year 2011-12, all were recruited as members with dependants. The recruits' dependants accompanied them to Australia.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q16: LAND 40 Phase 2

Senator Humphries asked on 13 February 2013 Hansard page 76:

I am asking in respect of the grenade launchers.....How much have we spent to date on LAND 40 Phase 2?

Response:

The Lightweight Automatic Grenade Launcher component expenditure and commitment to 5 February 2013 is \$13.119 million, of which the principal components were the purchase of ammunition (\$10.357 million) and project costs associated with development and evaluation of the previous tender and additional studies (\$2.762 million).

No additional project expenditure in direct support of the previous tender will be incurred.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q17: Health Budget

Senator Fawcett asked on 13 February 2013, Hansard page 77:

Looking at the budget tables from the 2010-11 budgets and the 2011-12 budgets, in both those years, from the amount forecast to the final amount that was actually expended in the area of health workforce, there was a decrease of \$22 million and \$17 million respectively.

Can you outline where those savings were made in the health workforce and if there were any significant pressure points that you are experiencing in your health workforce?

Response:

The Australian Defence Force (ADF) requires medical and dental fitness of its personnel in order that they are able to undertake their operational duties. As such, the provision of health care to members of the ADF is a Defence priority.

This health care provided to ADF members is principally delivered through external health care specialists and the health services budgets quoted in the Portfolio Budget Statements reflect this expenditure. The expenditure is for the whole range of health services and not just the health workforce.

Other than for periodic health assessments, the actual usage of health services by the ADF can be difficult to forecast precisely. In both 2010-11 and 2011-12 there was less expenditure than originally budgeted. This is not the result of specific savings activities but the result of the natural variability in the demand for health services.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q18: Health workforce

Senator Fawcett asked on 13 February 2013:

(a) How many people are currently employed in Defence who would be considered to be psychologists?

(b) How many of the people who are currently considered to be psychologists would be masters qualified, with the clinical ability to do clinical work?

Response:

(a) As at 5 March 2013, psychologists currently employed in the Defence health workforce and involved in both policy development and the provision of clinical care comprise:

- 38 uniformed and 25 Australian Public Service (APS) officers in Joint Health Command;
- 44 uniformed officers in Army;
- 3 uniformed and 11 APS officers in Navy.

In addition there are 25 additional psychologists contracted through Medibank Health Solutions.

(b) As at 5 March 2013, there are currently 11 endorsed clinical psychologists working in Defence:

- 4 APS officers in Joint Health Command;
- 2 uniformed officers in Army; and
- 5 APS officers in Navy.

These clinical psychologists have completed additional Board approved studies in Clinical Psychology, or equivalent, and a minimum of two years (full time equivalent) supervised practice.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q19: Operation Lagoon

Senator Ian MacDonald asked on Wednesday, 13 February 2013 Hansard page 82:

(1) The tribunal has knocked back Operation Lagoon participants on the basis that the service in question did not satisfy the definition of "warlike". My understanding is that for the Australian Service Medal, "warlike" is not a criteria and that is for the Active Service Medal. For Operation Lagoon, have you yet adopted the DHA recommendations? If not, is there a mechanism for review?

Response:

(1)

The Government referred the matter of recognition of service with Operation Lagoon to the Defence Honours and Awards Appeals Tribunal on 18 March 2011, under section 110W of the *Defence Act 1903*.

The Tribunal considered whether the contemporary decision not to prescribe and approve Operation Lagoon for the purposes of the Australian Service Medal was a properly considered and just decision. The Tribunal also considered the nature of service (that is whether the operation is non-warlike or warlike) of Operation Lagoon during the *Inquiry into recognition of service with Operation Lagoon 1994*. The Tribunal found that the Chief of the Defence Force of the day made the decision not to afford medallic recognition for the short non-warlike operation and there was no evidence of injustice in this decision. The Tribunal's Report is available publicly on its website at www.defence-honours-tribunal.gov.au.

In early November 2012 the Tribunal recommended that the decision should not be varied. The Government has advised the Tribunal that it has accepted this recommendation.

The only review mechanism available is an application to the Federal Court against the decision of the Government to accept the Tribunal's recommendations on points of law.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q20: AWD project staffing

Senator Johnston asked on Wednesday 13 February 2013, Hansard page 85:

How many people will DMO have for the extra two years that the project is being extended?

Response:

Current Defence Material Organisation (DMO) planning for the Air Warfare Destroyer (AWD) project staff is based on transition from the acquisition phase to sustainment. The years 2020-21 and 2021-22 have additional planned staff of 5 and 3 respectively, due primarily to the re-baselining of the AWD project, that is, extending the original contracted delivery dates for each ship. From a cost perspective, the AWD acquisition project has an embedded service fee included in the capital funding. To date DMO has maintained lower rates of expenditure that fund the increases projected for the period 2020-21 and 2021-22.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q21: DMO Staffing

Senator Johnston provided in writing.

- (a) What is the total number of DMO employees?
- (b) How many DMO personnel are directly allocated to these major capital acquisition projects?
- (c) How many DMO personnel are directly allocated to these non-major/minor capital acquisition projects?
- (d) How many DMO personnel are directly allocated to these sustainment acquisition projects?
- (e) What is the ratio of personnel not directly assigned to acquisition and sustainment projects to other personnel (management, support, legal, administrative etc)?

Response:

(a) At the end of January 2013, the total number of DMO Australian Public Service and Australian Defence Force employees was 7,270.

(b) - (d) Within the workforce budget set by Government, DMO uses a total labour cost model which allows it the flexibility to recruit as necessary to meet requirements for delivering capital equipment projects and sustainment services to Defence. DMO's employees often work simultaneously on delivering major and minor capital acquisition and sustainment services. Acquisition and sustainment workloads fluctuate and the application of the workforce is varied to meet the requirements.

As at 29 January 2013, DMO directly attributes 6,761 staff to acquisition and sustainment activities. The balance of the workforce (509) comprises staff working in industry and corporate support functions, including the Australian Military Sales Office, industry policy and programs delivery, finance, audit and training.

(e) Based on the above data, the ratio of personnel assigned to acquisition and sustainment functions to personnel assigned to industry and corporate support functions is around 13.5 to 1.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q 22: ANAO Major Projects Report

Senator Johnston provided in writing.

The Australian National Audit Office has stated in its 2012-13 Major Projects Report (Page 177), that "To 30 June 2012, of the total contingency allocated across the 29 projects, approximately \$1.1b (or 2.3% of the total approved project budget of \$47.3b) has been applied to retire project risks."

- (a) Please provide a breakdown of the amount of contingency allocated to each project.
- (b) Please provide a breakdown of the contingency allocated across each project that has been applied to retire project risk.
- (c) Please provide a copy of the Defence Material Instruction "Management of Contingency Budget in DMO Acquisition Projects" to the committee.
- (d) Again please provide a copy of the "DMO Project Risk Management Manual (PRMM) 2010, Chapter 9 – Contingency Budgets" to the committee.

Response:

(a) and (b)

Public release of details regarding project contingency provisions could be prejudicial to taxpayers' interests. DMO experience indicates that knowledge of contingency provisions encourages some contractors to find ways to gain access to the funds, which can have negative implications for good project governance.

(c) and (d)

Copies enclosed.



Australian Government

Department of Defence

Defence Materiel
Organisation

DEFENCE MATERIEL INSTRUCTION

DMI (FIN) 01-0-019

MANAGEMENT OF CONTINGENCY BUDGETS IN DMO ACQUISITION PROJECTS

*This Instruction remains in force unless rescinded by the
Chief Finance Officer Defence Materiel Organisation*

A handwritten signature in black ink, appearing to read 'Steve Wearn', is positioned above the printed name.

Steve Wearn
Chief Finance Officer
Defence Materiel Organisation

2 / January 2010

DMI (FIN) are issued under the System of Defence Materiel Instructions

This DMI (FIN) supersedes and replaces DMI (FIN) 01-0-019 – *Management of Contingency Budgets in DMO Acquisition Projects (V1.1)*.

MANAGEMENT OF CONTINGENCY BUDGETS IN DMO ACQUISITION PROJECTS**References:**

- A. *DMO Project Risk Management Manual*
- B. *DMI (FIN) 9/2005 – Approved Major Capital Equipment Projects Funds Availability*
- C. *DMI (FIN) 01-0-012 – Management of Indexation and Exchange Variations to DMO Acquisition Project Budgets*

INTRODUCTION

1. This instruction supersedes and replaces Defence Materiel Instruction Finance DMI (FIN) 01-0-019 – *Management of Contingency Budgets in DMO Acquisition Projects V1.1* in its entirety. It provides guidance for the management of project contingency budgets in DMO Acquisition Projects.

SCOPE

2. The following policies apply:

- a. The DMO Acquisition Project Manager shall maintain records of Project Contingency Budget, which provide full accountability and traceability of all management decisions related to the management of the Project Contingency Budget, including:
 - the separation of Contingency Budget into separate accounts or “pools” as required by extant DMO Financial policy and as required by management for Control Purposes (including for tracking of Price and Exchange Gains and losses in accordance with *DMI (FIN) 01-0-012 – Management of Indexation and Exchange Variations to DMO Acquisition Project Budgets*);
 - the application and return of Project Contingency Budget; and
 - the outcomes of all assessments of the Adequacy of Project Contingency Budget, determined on the basis of analysis of risk and application of appropriate risk treatment measures in accordance with the DMO Project Risk Management Manual.
- b. The Division Head, or Program Manager (under General Manager Programs) shall establish authorisations controlling the approval of proposals for Contingency Budget Application and Contingency Budget Return and the review of Contingency Budget for DMO Acquisition Projects for which they are accountable. These authorisations shall be consistent with this DMI (FIN) and any other directives that may be issued by CEO DMO, or the relevant General Manager with line management responsibility for the Division Head. In cases where the Division Head / Program Manager has not established such authorisations, all proposals to:
 - apply Project Contingency Budget shall be approved by the Division Head, or Program Manager (under General Manager Programs) with line management responsibility for the DMO Acquisition Project seeking to apply Project Contingency Budget; and
 - return Programmed Budget to Project Contingency Budget shall be approved by the DMO Acquisition Project Manager.
- c. All Management Decisions related to the approval of proposals for Contingency Budget Application or Contingency Budget Return shall only be made by officers authorised to make those decisions.

- d. The DMO Materiel Acquisition Agreement (MAA) Signatory shall not agree to terms and conditions, under a proposed MAA or MAA amendment, which would require Customer approval to any proposals for the application of Project Contingency Budget, without obtaining the prior approval of General Manager Systems (GMS) or General Manager Programs (as applicable) or Chief Executive Officer DMO (CEO DMO) to such terms and conditions.
- e. The DMO Acquisition Project Manager shall seek to apply Project Contingency Budget as soon as a contingent event requiring the application of the Project Contingency Budget has occurred and an assessment of the amount and timing has been completed.
- f. The DMO Acquisition Project Manager shall seek to apply Project Contingency Budget in any circumstance where the application of the Project Contingency Budget for identified risk mitigation activities is assessed as being cost effective and representing value for money.
- g. The DMO Acquisition Project Manager shall report the status of the Project Contingency Budget, based on the Project's Contingency Budget records, in accordance with reporting procedures specified within this DMI (FIN) for Monthly Reporting and for MAA Reporting (refer to para 25).
- h. The DMO Acquisition Project Manager shall report details of Project Contingency Budget assessments as part of their routine review of Project Estimates at Completion (EAC) whenever the Estimate At Completion (EAC) exceeds the Investment Price or the available Project Contingency Budget is assessed as significantly inadequate compared to the level of uncertainty and residual project risk.
- i. The DMO Acquisition Project Manager shall include the status of the Project Contingency Budget, based on the Project's Contingency Budget records, in Project Financial Plans submitted in accordance with DMO Budget and DMFP Review requirements.

PURPOSE

3. This instruction outlines the policy and procedures for the management of project contingency budgets in DMO Acquisition Projects to ensure that:

- projects maintain effective budgetary control;
- project funds are used only for the purposes for which they were approved;
- sufficient programming guidance is available as required for funds availability purposes; and
- projects inadequately funded are identified early.

APPLICABILITY

4. This instruction applies to all DMO managers and staff who have responsibilities for the management of major and minor DMO Acquisition Projects covered by MAAs between DMO and Defence.

DEFINITIONS

5. For the purposes of this instruction:

Contingency Budget Application

Contingency Budget Application is the process of programming budget from the Project Contingency Budget in response to a Contingency Event, by transferring the budget to a Work Breakdown Structure (WBS) Element Work Package or Planning Package with defined start and end dates reflecting when and for what purpose the applied Budget is planned to be

consumed. Once applied the budget amount programmed is no longer treated or disclosed as Project Contingency Budget.

Contingency Budget Return

Contingency Budget Return is the process of transferring budget that is no longer required for the purpose for which it was originally programmed, from the WBS Element Work Package or Planning Package it was allocated to, to the Project Contingency Budget such that it is no longer programmed but disclosed and treated as Project Contingency Budget.

Contingency

Contingency is a possible future event or condition arising from presently known or unknown causes, the outcome of which is indeterminable at the present time. In connection with estimates of future costs, contingencies fall into two categories:

- (1) Those that may arise from presently known and existing conditions, the effects of which are foreseeable within reasonable limits of accuracy; e.g., anticipated costs of rejects and defective work. Budgetary allowance for contingencies of this category is normally included in the estimates of future (programmed) costs (so as to provide the best estimate of performance cost) and therefore excluded from the available Project Contingency Budget.
- (2) Those that may arise from presently known or unknown conditions, the effect of which cannot be measured so precisely, e.g., results of pending litigation. Budget allowance for contingencies of this category are excluded from estimates of future (programmed) costs, disclosed separately and included within the available Project Contingency Budget.

DMO Acquisition Project

An individual project within a specific DMO Acquisition Program. The DMO Acquisition Project corresponds to that portion of a Defence Project, or Defence Project Phase, which DMO has agreed to undertake through a signed MAA. Project Approval for a DMO Acquisition Project is effectively provided by both parties signing the MAA.

DMO Acquisition Project Approval

DMO Acquisition Project Approval is the amount of funding approved by means of the signing of an MAA, or amendments to an MAA for a particular DMO Acquisition Project as recorded in DMO's official Project Approval Registers. It is the aggregate of the original funding approved for the DMO Acquisition Project, all (if any) adjustments for indexation and foreign exchange and all (if any) real adjustments whether increases or decreases. DMO Acquisition Project Approval is correctly expressed in Australian dollars at a particular basis for indexation and foreign exchange.

DMO Project Approval is not to be confused with Defence Project Approval which is the decision made by an appropriate Defence Project Approval Authority that provides authorisation for the Defence Project to proceed. A DMO Acquisition Project is formed through the negotiation and signing of an MAA as a sub-project of the overall Defence Project.

DMO Acquisition Project Investment Budget

The DMO Acquisition Project Investment Budget is the budget allocated to the DMO Acquisition Project Manager for investment activities. It equals the MAA Investment Price for the supplies and services to be delivered by DMO under the MAA and includes the Project Contingency Budget. However, the Project Contingency Budget will not normally be included in the initial Guidance transfer from Defence at MAA execution. The DMO Acquisition Project Investment Budget is separate from, and does not include, budget funded through the Acquisition Service Fee.

DMO Acquisition Project Scope Change

A DMO Acquisition Project Scope Change is a change to the deliverables required to be delivered by a DMO Acquisition Project under an MAA. It requires formal amendment of the MAA and may require formal approval of a scope change to the Defence Project by an appropriate Defence Project Approval authority prior to signing the MAA amendment.

A DMO Acquisition Project Scope Change is not to be confused with a Defence Project Scope Change which is a change to the Deliverables of the Defence Project. It requires formal approval by the appropriate Defence Project Approval authority and may be required prior to processing an MAA amendment to change the scope of the DMO Acquisition Project.

Materiel Acquisition Agreement (MAA)

A Tier-3 Agency Agreement under the Defence-DMO Business Model Governance structure for DMO to deliver materiel acquisition services to Defence. [Note: An MAA is not an Agency Agreement for the purposes of the FMA Act.]

MAA Investment Price

The MAA Investment Price is that portion of the approved Capital Investment Cost, approved as part of a Defence Project Approval, which corresponds to that portion of the total project scope which will be delivered by the DMO as a DMO Acquisition Project under an MAA. Under the DMO Funding model, the DMO is paid for the work performed in delivering the supplies and services required to be delivered by the DMO Acquisition Project as specified in the MAA on a full cost reimbursement basis (ie no profit or loss). The MAA Investment Price is the basis for establishing the DMO Acquisition Project Investment Budget. The final total Investment Price payments made by Defence to DMO against a DMO Acquisition Project under an MAA will equal the actual final Investment costs incurred by DMO against the project. The MAA Investment Price is separate from, and does not include, Acquisition Service Fee.

Project Contingency Budget

Project Contingency Budget is that portion of the Project Investment Budget established to provide adequate budget to cover the inherent cost, schedule and technical risks and uncertainties of the in-scope work of the project and any contingency events that may arise during the conduct of a project. The Project Contingency Budget is underpinned by risk management and contingency planning processes.

Project Contingency Budget that has not been applied is disclosed separately and not included within the time-phased financial plans of the DMO Acquisition Project (ie not programmed).

The total Contingency Budget may be sub-divided into separate accounts or "pools," as required, to:

- Meet project management control requirements arising from general DMO project financial management policies (for example the requirement to separately identify and manage exchange gains and losses as promulgated through DMI (FIN) 01–0–012 – Management of Indexation and Exchange Variations to DMO Acquisition Project Budget).
- Meet project specific customer requirements agreed to under the MAA (for example, provisions for discrete purposes such as potential future unspecified modifications or "quarantined" budget for an activity which requires Government and Customer Approval prior to proceeding). If such items are large and significant, it is better practice not to include them in the MAA until the Government or Customer Approval has occurred.

- Meet internal project management control arrangements established through line management.
- Provide traceability of Contingency Budget amounts back to the cost estimates determined on the basis of analysis of risk and application of appropriate risk treatment measures in accordance with the DMO Project Risk Management Manual.

At any point in time, the Project Contingency Budget equals:

- the initial Project Contingency Budget (if any) reflected in the initial MAA Investment Price;
- Plus – the net variations to the Project Contingency Budget approved as part of Real Increases and Real Decreases to the MAA Investment Price; and
- Plus – the net variations to the Project Contingency Budget approved as part of Price and Exchange adjustments to the MAA Investment Price through the Global Update Process; and
- Minus – Project Contingency Budget programmed through Contingency Budget Application; and
- Plus – previously Programmed Budget returned to the Project Contingency Budget through Contingency Budget Return.

BACKGROUND

6. DMO Acquisition Projects, both major and minor, which are covered by MAAs typically include an initial Project Contingency Budget as a component of their total Investment Budget. This Budget is derived from the MAA Investment Price. The purpose of Project Contingency Budget is to provide adequate budget to cover the inherent cost, schedule and technical uncertainties of the in-scope work of the project.

7. The initial Project Contingency Budget will typically be based on underlying cost estimates to cover the inherent cost risks and uncertainties of the project, but the negotiated MAA Investment Price and, therefore, the agreed initial Project Contingency Budget may reflect adjustments made by project approval authorities. Projects with greater risk and uncertainty will generally have a need for a greater Project Contingency Budget. Before signing an MAA, DMO MAA Signatories should ensure that the MAA Investment Price is reflective of an Initial Project Contingency Budget which is commensurate with the level of risk and uncertainty, determined through risk analysis and application of appropriate risk treatment measures in accordance with the DMO Project Risk Management Manual.

8. In accordance with the Defence Budget Model, upon signing of an MAA, a "Guidance Transfer" must be actioned to provide funding to the DMO for the Acquisition Project covered by the MAA. Because the Defence Budget Model only recognises Guidance amounts programmed within the 10 year window of the Defence Management and Finance Plan (DMFP) and because the Project Contingency Budget is, by definition, unprogrammed (ie not assigned to a specific period of time), the initial Guidance transfer amounts will not normally include funding associated with the initial Project Contingency Budget. However, as the project progresses and as Project Contingency Budget is applied and programmed, Investment Program Managers will action Guidance adjustments through the normal Investment Program Budget Review process to ensure that the project remains fully funded. Also, DMO Investment Program Managers may factor in a provision for likely levels of Contingency Budget application across their respective Investment Programs when developing their Investment Program-Guidance (including Cash Funding) requirements, in conjunction with other factors such as provision for likely program "slippage."

IMPLEMENTATION**Application of Project Contingency Budget**

9. A DMO Acquisition Project Manager shall only seek to apply the Project Contingency Budget upon the occurrence of a contingent event. As well as obvious contingent events such as fires, technology obsolescence, actual equipment failure, etc, a contingent event can be said to have occurred when a management decision is made, arising from a project management activity which has identified a previously unforeseen requirement and a need for action and a change in the plan. For example:

- a decision to undertake additional future work such as risk mitigation activities where the estimated cost of the work can be reliably estimated, or
- a management decision to increase the budget of a future work package, where the existing budget for that work package has been clearly identified as inadequate and the proposed budget has a sound basis.

10. The application of Project Contingency Budget is a **project planning activity**, not a Procurement activity requiring the provision of a Funds Availability Certificate. In other words, the approval to apply Project Contingency Budget is a separate decision from, and must precede, the seeking of procurement approvals, albeit the request for approval may be included in the same submission as the procurement approvals. Thus, before Project Contingency Budget can be committed or spent, approval for it to be applied must be given by an officer authorised to do so.

11. In this regard, any need to seek a Programming Variation Certificate (PVC) in accordance with DMI (FIN) 9/2005 – Approved Major Capital Equipment Projects Funds Availability is not directly triggered by the application of Contingency Budget. It is the subsequent Proposal Approval or Proposal Approvals that may result in a need to seek a Program Variation Certificate, in situations where there is an urgent requirement to approve an associated expenditure proposal that cannot wait until the next formal Planning Exercise or cannot be offset by reduced funding requirements for other project activities as a result of project slippage.

12. In general, the application of Project Contingency Budget should be considered a routine management decision. The DMO Acquisition Project Manager does not require advance approval from Defence to use Project Contingency Budget unless such a requirement has been agreed between the parties and specified in the MAA. Any terms or conditions under an MAA that would require a DMO Acquisition Project Manager to seek prior Defence approval to proposals for the application of Project Contingency Budget must have had the prior approval of either GMS or GMP (as applicable) or CEO DMO to such an arrangement.

13. Any proposal for approval to apply Project Contingency Budget should identify:

- the contingent event that has generated the need to apply Project Contingency Budget (ie the reason for application);
- the Project Contingency Budget to be applied, identified by WBS Element, planning package or work package, as appropriate, and scheduled dates for the incurring of costs (ie the intended use of the budget);
- the expected consequences of the proposed spend including whether there will be any residual risk;
- whether the expected remaining available Project Contingency Budget after the proposed spend remains adequate for the project.

14. This information should be recorded in the Contingency Budget Log along with the approval authority's decision.

15. Division Heads, or Program Managers (under General Manager Programs) are responsible for establishing authorisations controlling the approval and application of Project Contingency Budget for DMO acquisition projects for which they are accountable. These authorisations shall be consistent with this DMI (FIN) and any other directives that may be issued by CEO DMO, or the relevant General Manager with line management responsibility for the Division Head. All management decisions related to the approval of proposals for Budget Application of Contingency Budgets shall only be made by officers authorised by the Division Head / Program Manager to make those decisions. In the absence of specific Division Head or Program Manager promulgated authorisations, all proposals to apply Project Contingency Budget shall be approved by the Division Head, or Program Manager (under General Manager Programs) with line management responsibility for the DMO Acquisition Project seeking to apply Project Contingency Budget.

Return of Project Programmed Budget

16. A DMO Acquisition Project Manager shall only return Project Programmed Budget to the Project Contingency Budget upon identification that the requirement for which the budget was originally allocated and programmed no longer exists. The reason for return of budget to the Project Contingency Budget should be documented in the Project Contingency Budget Log.

17. Division Heads, or Program Managers (under General Manager Programs) are responsible for establishing authorisations controlling the return of Contingency Budget for Projects for which they are accountable for. All management decisions related to the return of programmed budget to the Project Contingency Budget shall only be made by officers authorised by the Division Head to make those decisions. In the absence of specific Division Head- or Program Manager-promulgated authorisations, all proposals to return Programmed Budget to the Project Contingency Budget shall be approved by the DMO Acquisition Project Manager.

18. Historically, many projects have referred to Project Budget that is no longer required for the purpose for which it was originally intended as "Unallocated Budget" and, although identified in their records as unprogrammed budget, have kept it separate from their Contingency Budget and therefore not subject to the policies and procedures applying to Contingency Budget. Such practice is not permitted as DMO's Project Budgeting framework does not recognise "Unallocated Budget" as a legitimate classification of DMO Acquisition Project Investment Budget.

Review of Project Contingency Budget

19. The DMO Acquisition Project Manager should regularly compare available Project Contingency Budget with the results of their Risk Management analysis to determine the adequacy or otherwise of the available Project Contingency Budget. The Project Risk Management Manual details the framework and methodology for assessing cost estimates for uncertainties and risk. The frequency of such reviews should be based on a combination of periodicity, commensurate with the level of the project's residual risk, and key milestones / events and established in the project risk management plan. As a minimum, review should be undertaken in connection with the following events:

- during each formal Program Budget Review (PBS, PAES, Pre-ERC, DMFP);
- during each Global Update for indexation and exchange;
- during evaluation of responses to a Request for Tender for a significant contract and contract negotiations;
- during evaluation of significant DMO Acquisition Project scope change and MAA amendment proposals;
- any application of significant amounts of Project Contingency Budget;
- upon the occurrence of external events (eg policy or procedural, industry, political) likely to significantly impact the projects cost estimates and project risks, and

- any other change that would impact the inherent cost uncertainties and residual project risk (eg during evaluation of contract / engineering change proposals, critical design reviews; or delivery of equipment).

20. The result of this comparison at each review shall be documented in the Project Contingency Budget Log.

Inadequate Project Contingency Budget

21. Where, as a result of a Project Contingency Budget review, the DMO Acquisition Project Manager does not consider the available Project Contingency Budget adequate to cover the inherent risks and uncertainties of the project, the following actions shall be undertaken:

- the DMO Acquisition Project Manager shall report the perceived inadequacy of the Project Contingency Budget to the Division Head, or Program Manager (under General Manager Programs);
- the Division Head, or Program Manager (under General Manager Programs) shall inform the Defence Customer and the Parties shall either:
 - agree to accept the risk that approved project funding may be inadequate (recording this agreement); or
 - develop and implement a risk mitigation plan; and
 - negotiate a real increase to the MAA Investment Price to cover the inadequacy either in full or in part (such negotiations may include offsetting the real increase for additional Project Contingency Budget with a corresponding real reduction in MAA scope, as determined by the Customer).
- the DMO Acquisition Project Manager shall report the project as a "Project with Inadequate Project Contingency Budget" in the Monthly Reporting System (MRS), and the action that is being pursued, until such time as the inadequacy no longer exists, either through MAA amendment, the implementation of risk mitigation strategies, or through changing circumstances.

MAA Changes for Project Scope

22. When the scope of an MAA is increased, an appropriate amount of Project Contingency Budget may be added to the DMO Acquisition Project Investment Budget as negotiated and agreed between the parties to the MAA. Any such changes to the Project Contingency Budget shall be documented in the Project Contingency Budget Log.

"Funding" a Change to Project Scope

23. Occasionally, the DMO Acquisition Project Manager may be able to identify excess Project Contingency Budget as a funding offset to a proposed change to the scope of a DMO Acquisition Project. Notwithstanding the apparent availability of the required funding, approval to any out-of-scope work requires an amendment to the MAA to be negotiated and signed by the MAA Signatories, in accordance with standard MAA procedures. This may also require Defence to seek an amendment to the Defence Project Approval by an appropriate Defence Project Approval authority prior to signing the MAA.

Excessive Project Contingency Budget

24. Where, as a result of a Project Contingency Budget review, the DMO Acquisition Project Manager or Division Head, or Program Manager (under General Manager Programs) considers that the available Project Contingency Budget to be far in excess of the budget realistically required to cover inherent cost uncertainties and residual project risks, the Division Head or Program Manager is encouraged to seek an amendment to the MAA to reduce the MAA Investment Price to reflect the reduced requirement for Project Contingency Budget.

Reporting of Contingency Budget in Project Financial Plans

25 For Budget Reviews (for PBS, PAES, Pre-ERC, DMFP, etc) the DMO Acquisition Project Manager is required to provide the following Project Contingency Budget information in their Project Financial Plans (PFP):

- of the total funding approved for the project (the current Project Investment Budget), that portion which is identifiable, in total, as either applied or unapplied (ie available) Project Contingency Budget. This will include the original Project Contingency Budget adjusted for all increases and decreases to the Contingency Budget approved through MAA amendments;
- of the total approved Project Contingency Budget, the separate identification, in net terms, of that portion that has already been "applied," (ie assigned to a specific "programmed" requirement as a result of one or more contingent events that have already occurred) and that portion that remains "unapplied" and available to cover any future contingencies that may arise;
- the total budget that has already been applied from Project Contingency Budget in previous financial years and, for future requirements, the amount of contingency budget that has been applied to each financial year to reflect the programming of those requirements **at the time the contingency was originally applied**;
- a quantitative and qualitative analysis of any changes in the unapplied (ie available) Project Contingency Budget since the previous Budget Review, arising from Contingency Budget Application, Contingency Budget Return, and Customer-Supplier agreed changes (increases and decreases) to the MAA Investment Price; and
- the separate identification of Net Foreign Exchange Rate Gains and Losses arising from difference between the funding variations approved through the Global Update process and actual exchange rate variations incurred by the project. Exchange Gains and Losses should be reported as an Australian Dollar amount so that Exchange Rate variations do not distort the Global Update Calculation (for further information on the definition of and accounting for Exchange Rate Gains and Losses, see DMI (FIN) 01-0-012 – Management of Indexation and Exchange Variations to DMO Acquisition Project Budge).

26. Project Contingency Budget is not to be programmed within the Project Financial Plan (PFP).

27. Detailed Guidance on how to prepare and report Project Contingency Budget data within a PFP as part of a Budget Review exercise is contained in the Capital Equipment Program Financial Planning System (CEPPlan) Data Entry Template User Guide and in Budget Review Instructions issued prior to each Budget Review.

28. CFO DMO approval of a PFP, including any reported application of Contingency Budget, signifies that funding for the applied Project Contingency Budget has been included in the approved Investment Program but is not in any other way an endorsement of the intended use.

29. As part of each Budget Review, Director Capital Investment Program (DCIP) will report to the DMO Executive, CEO DMO, CFO DMO and Defence Investment Program Managers on:

- the current value of unapplied (ie available) Project and Investment Program Contingency Budgets;
- any changes in the value of unapplied (ie available) Project and Investment Program Contingency Budgets since the previous Budget Review; including quantitative and qualitative analysis of any such changes;

- those DMO Acquisition Projects assessed as having inadequate Project Contingency Budget, identifying current status of action underway; and
- a prognosis of the impact of the current unapplied (ie available) Contingency Budget position on the overall Investment Program.

DMO Acquisition Project Contingency Budget Records

30. The DMO Acquisition Project Manager shall maintain records of the Project Contingency Budget, which provide full accountability and traceability of all management decisions related to the management of the Project Contingency Budget. This should be in the form of a "Project Contingency Budget Log" which is designed to support management control of the Project Contingency Budget and to facilitate reporting on Project Contingency Budget aspects of the DMO Acquisition Project.

31. The Project Contingency Budget Log is to be kept up to date to ensure proper overall management of risk including supporting budget estimating and corporate governance requirements. The Project Contingency Budget Log may be in the project's preferred format but shall show, at a minimum:

- the initial Project Contingency Budget and, if separate Project Contingency accounts or "pools" have been established, the initial budget for each account or "pool";
- any increases in the Project Contingency Budget and, if separate Project Contingency accounts or "pools" have been established, any increases to each account or "pool", and for each:
 - the reason for the increase (eg Global Update for indexation, MAA Amendment, exchange gain or loss, budget returns);
 - the date of the increase; and
 - the basis / authority for the increase, including reference to relevant supporting documents.
- any decreases in the Project Contingency Budget and, if separate Project Contingency accounts or "pools" have been established, any decreases to each account or "pool", and for each:
 - the reason for the decrease (eg Global Update for indexation, MAA Amendment, exchange gain or loss, budget application);
 - the date of the decrease; and
 - the basis / authority for the decrease, including reference to relevant supporting documents.
- detail of any assessment of Contingency Budget inadequacy (see "Inadequate Project Contingency Budget" Section above) and action taken; and
- record of review dates, occasions, assessments made and reviewing authorities.

32. While this DMI (FIN) specifies the minimum record keeping requirements for managing Project Contingency Budget, it does not specify a specific application, tool or format for the Project Contingency Budget Log.

33. The DMO Acquisition Project Manager may wish to separately identify elements of the overall Project Contingency Budget as "known unknowns" and unknown unknowns" (based on Risk Assessment techniques as defined in the Project Risk Management Manual), but there is no requirement to quarantine these two elements within the total Contingency Budget – ie the total Project Contingency Budget is available to cover ANY contingent event, subject to specific rules governing the establishment of separate accounts or "pools".

Impact of Global Update on Contingency Budget

34. The current method of updating Project Investment Budgets for Price and Exchange (the Global Update process) does not distinguish between Programmed Budget and Project Contingency Budget, nor between separate Project Contingency Budget Accounts or "pools" when performing the update calculation. As a result unprogrammed Budget amounts reported in the Project Financial Plan will be updated for Indexation and, if they contain elements as foreign currency amounts, for Exchange as well. To avoid the application of Exchange Rate adjustments on already identified Exchange Rate Gains and Losses it is essential that these amounts are recorded in the Project Financial Plan as Australian Dollar Amounts.

35. The Global Update Calculation is simply a mechanism used to determine the Revised Total Budget and the Total Price and Exchange Supplementation applied at the total DMO Acquisition Project Level. This supplementation does not formally alter the DMO Acquisition Project's total Project Contingency Budget or the available Project Contingency Budget in each account or pool, including the Exchange Gains & Losses "Account". Once the DMO Acquisition Project Manager has been notified of the approved variations to the total Investment Budget and the total Price and Exchange Variations determined by the Global Update process, the DMO Acquisition Project Manager is responsible for distributing the Price and Exchange Budget supplementation across both the programmed and unprogrammed portions (ie Project Contingency Budget) of the DMO Acquisition Project in accordance with project requirements.

AUTHORITIES AND RESPONSIBILITIES

36. Table 1 lists the responsibilities for ensuring this policy is adhered to.

Table 1: Responsibility Matrix

ACTIVITY	RESPONSIBILITY
Maintain records of Project Contingency Budget.	DMO Acquisition Project Manager.
Report the status of the Project Contingency Budget as part of regular Monthly Reporting, MAA Reporting, and DMO Budget and DMFP Reviews.	The DMO Acquisition Project Manager.
Report to their Division Head (under General Manager Systems) or Program Manager (under General Manager Programs) whenever the Project Estimate At Completion (EAC) exceeds the Investment Price or the available Project Contingency Budget is assessed as significantly inadequate.	The DMO Acquisition Project Manager.
Establish authorisations controlling the approval of proposals for Contingency Budget Application and Contingency Budget Return and the review of Contingency Budget.	Division Head (under General Manager Systems) or Program Manager (under General Manager Programs).
Inform the Defence Customer of any Project assessed as having inadequate Project Contingency Budget and agree on remedial action.	Division Head (under General Manager Systems) or Program Manager (under General Manager Programs).

Establish procedures for ensuring that DMO Acquisition Project Managers are managing and maintaining records of their Project Contingency Budget in accordance with this DMI (FIN).	Division Head (under General Manager Systems) or Program Manager (under General Manager Programs).
Seek an amendment to the MAA to reduce the MAA Investment Price whenever a Project's Contingency Budget is considered to be far in excess of requirements.	Division Head (under General Manager Systems) or Program Manager (under General Manager Programs).
Make decisions related to the approval of proposals for Contingency Budget Application or Contingency Budget Return.	Officers authorised by the Division Head (under General Manager Systems) or Program Manager (under General Manager Programs) or under this DMI(FIN) to approve Contingency Budget Applications or Contingency Budget Returns.
Authorise a DMO Signatory to agree to terms and conditions, under a proposed MAA or MAA amendment, requiring Customer approval of any proposals for the application of Project Contingency Budget.	General Manager Systems (GMS), General Manager Programs (GMP) or Chief Executive officer DMO (CEO DMO) to such terms and conditions.
Agree to terms and conditions, under a proposed MAA or MAA amendment, requiring Customer approval of any proposals for the application of Project Contingency Budget, subject to prior GMS, GMP or CEO DMO approval.	DMO MAA Signatory.
Report to the DMO Executive, CEO DMO, CFO DMO and Defence Investment Program Managers on status of Project Contingency Budgets, as part of Budget Reviews.	Director Capital Investment Program (DCIP).

RECORDS

Records developed under this policy are filed and maintained by the Directorate Capital Investment Program.	
Hard Copies	
Classification	Storage Location and Duration
Unclassified	Records are held by DCIP on DRMS registered file 2005/1087712/1 and remains in force until amended, replaced or cancelled by order of CFO DMO.
Soft Copies	
Classification	Storage Location and Duration
Unclassified	Soft copy records maintained on the Branch "G" drive G:\DMO\GMC\Finance\BT\CIP; e-mails are maintained on Outlook and archived as appropriate. Electronic versions of approved DMI (FIN) are controlled via the QEMS Document Management System (QDMS).

WORKPLACE HEALTH & SAFETY / ENVIRONMENTAL ISSUES

37. There are no Occupational Health and Safety (OH&S) and / or Environmental Management issues that are relevant to this policy.

TRAINING AND COMPETENCIES

38. Table 2 defines the training and / or competencies required in the performance of this policy.

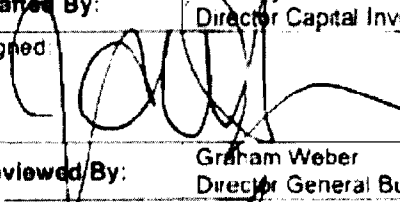

Table 2: Records Matrix

POSITION	TRAINING/COMPETENCIES
All Staff identified as having responsibilities under this DMI (FIN).	An ability to interpret policy and guidance included within this regarding the Management of Contingency Budgets in DMO Acquisition Projects and to interpret related policy as identified at References A, B and C to this DMI (FIN).

DOCUMENT ADMINISTRATION SHEET

KEY INFORMATION

Document Category	Defence Materiel Instruction (DMI)
Functional Domain	Finance (FIN)
Reference Number	01-0-019
Version No.	2.0
Title	Management of Contingency Budgets in DMO Acquisition Projects
Business Process Owner (BPO)	Chief Finance Officer
Business Process Authority (BPA)	Director Capital Investment Program Management
Domain Expert	Directorate Capital Investment Program Management
Quality Representative / Co-ordinator	Directorate Finance Policy, Procedures and Assurance
Amendment Details	New version to reflect the lift in the default approval authority from Branch Head to Div Head/Program Manager, but leave provision for an approval hierarchy to be developed on a Divisional basis.
Filing Details	DRMS File 2005/1087712/1
Review Period	24 Months
Consultation	DCIP, CFO DMO, DMO QMS, DFPPA, DFR

Drafted By:	John Hyman Director Capital Investment Program
Signed:	 Date: December 2009
Reviewed By:	Graham Weber Director General Budgets and Treasury
Signed:	 Date: 18 December 2009

NOTE: The signed original of this sheet is to be filed.

Chapter 9 – Contingency Budgets

9.1 Introduction and Context

Overview

This Chapter provides guidance on managing the project contingency budget in order to manage the expected cost of technical, financial and schedule risks of work within the approved project scope. Contingency budget is scrutinised by the PMSG and external stakeholders such as the Department of Finance and Deregulation (DoFD), the Australian National Audit Office (ANAO), and Senate Legislative Committees (SLCs).

This Chapter covers the following activities:

- a. determining contingency budget requirements,
- b. maintaining contingency budget records,
- c. programming and allocating the contingency budget,
- d. reviewing the contingency budget, and
- e. reporting on the effective use of the contingency budget.

Contingency budgets

A contingency budget provides cover for the expected cost of:

- a. identified risks, or *known unknowns* (including the residual risk after treatments have been applied), and
- b. unidentified risks, or *unknown unknowns*.

A contingency budget forms part of the total investment budget corresponding to the Materiel Acquisition Agreement (MAA) Investment Price. The other part of the total investment budget is known as the 'programmed' budget and covers the estimated cost of approved activities within the Project Work Breakdown Structure (PWBS), including risk treatments that were approved prior to initial budget approval. Risk treatments approved after initial budget approval are covered by budget transfers from the contingency budget to the programmed budget.

The initial contingency budget is set when the total investment budget for a particular project stage, covered by an MAA, is approved and forms part of the approved budget. However, the initial contingency budget is not allocated to a particular work package or work packages and is therefore available to cover the cost of any new risk treatments or emerging issues (realised risks).

Adjustments to the contingency budget may arise as a result of supplementation for price and exchange variations, real cost variations and returns of excess budget.

Contingency budget allocations

Allocations can be made within the contingency budget to cover the expected cost of high and extreme risks. These allocations show tentative reservations rather than an actual approved use of the contingency budget. They help to show whether or not the remaining contingency budget will be sufficient to cover the cost of highly probable risks.

Allocations for high and extreme risks must be identified against a specific risk ID in the Project Risk Register. If a decision is taken to treat the risk, then the allocation is reversed. If the residual risk is high or extreme, then another allocation can be made to cover the expected cost. If the risk no longer exists (eg the time has passed), then the allocation should be reversed. Examples of these transactions can be found in Appendix 3 to Annex H under 'allocated contingency'.

Specific recording of contingency budget allocations within the Contingency Budget Log are not required by DMO Finance Instructions. Nonetheless, such identification represents good management practice and projects are expected to comply.

The amount of the contingency budget allocated to specific risks is known as 'allocated contingency'. The remaining amount is known as 'unallocated contingency' and covers the expected cost of unidentified risks.

Contingency budget allocations are illustrated in Figure 9.1.

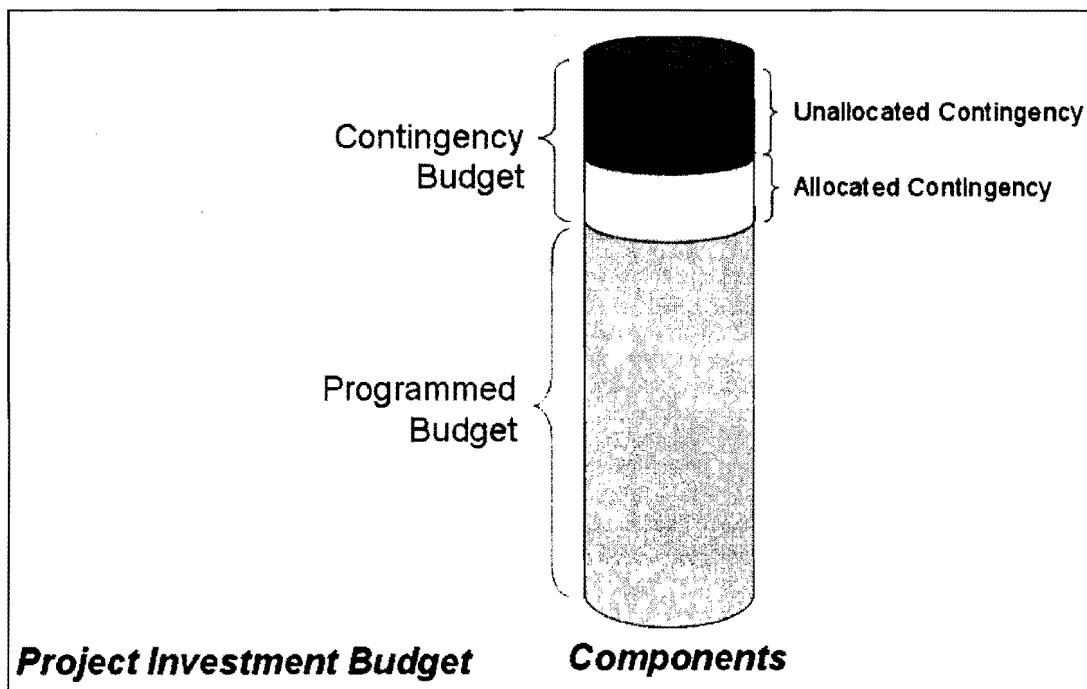


Figure 9.1: Budget Components

Management responsibilities

The contingency budget is managed by the project office and monitored by DMO line management. The Project Manager must ensure that key stakeholders understand the purpose of the contingency budget and remain aware of any related issues.

Key stakeholders comprise:

- a. Members of the project team, especially the Project Manager and business/finance manager
- b. Line managers within the chain of command
- c. Director of Financial Management (in the relevant Domain)

9.2 Determining contingency budget requirements

A contingency budget may be required for any stage in an acquisition project, based on the risk profile for the work within that stage. The expected cost of project risks must therefore be identified before the budget for that stage is submitted for approval.

Identified Risks

The expected cost of an identified risk can be determined by multiplying the cost of the risk being realised by the likelihood of the risk occurring. In other words:



The expected cost of all identified risks can then be determined by adding up the expected cost of individual identified risks.

Unidentified Risks

The expected cost of unidentified risks will depend on many factors, including:

- a. the maturity and completeness of requirements;
- b. historical evidence from similar projects;
- c. the Acquisition Strategy;
- d. the operational urgency;
- e. the maturity and capability of industry;
- f. the maturity of the technology involved (COTS, MOTS or developmental);
- g. the ability and experience of the Commonwealth project office staff and the process maturity of the project office; and
- h. the outcomes from profiling activities, such as software profiling and supportability profiling.

Projects that are subject to low process maturity, involve unprecedented systems and suffer from a lack of historical data usually need a larger contingency budget to cover unidentified risks. In many cases, the estimated cost of unidentified risks will be based on a percentage of the total project cost of the specific project stage.

Project Maturity

For projects with low levels of maturity, the contingency budget for 'known unknowns' and 'unknown unknowns' will be high because:

- a. for 'known unknowns', the confidence in the design and implementation of risk treatment plans is likely to be low and the level of uncertainty high; and
- b. for 'unknown unknowns', the lack of familiarity with the project and its environment is likely to make risk identification difficult.

As the level of maturity increases, estimating uncertainty improves and risk treatments become more effective, leading to a reduction in risk. There is also an increase in the number of identified risks, reducing the level of exposure to 'unknown unknowns'.

Figure 9-2 shows the relationships between project maturity and the amount of project contingency budget required. Contingency budget is divided into the contingency budget required to cover 'known unknowns' and 'unknown unknowns'.

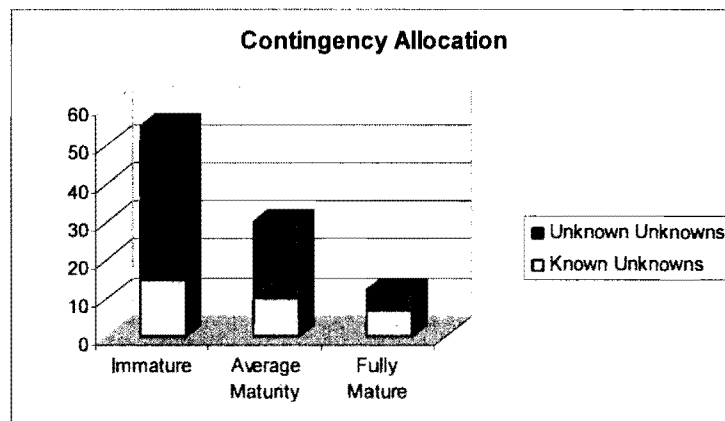


Figure 9-2 Project Maturity and Contingency Budget Requirements

Contingency Requirement Calculation

The estimated contingency budget requirement is determined by combining Unknown Unknown \$'s and Known Unknown \$'s. The magnitude of both these sums is influenced by project maturity and project complexity. Table 9.1 shows suggested levels of contingency based on project activity complexity.

Complexity Rating	Suggested Contingency
Very Low	5%
Low	10%
Low-Medium	15%
Medium	20%
Medium-High	25%
High	30%-35%
Very High	40%-45%
Extreme	50% or greater

Table 9.1 Project Activity Complexity



9.3 Contingency budget records



The components of a contingency budget must be identified and tracked within a contingency budget log. An example of a contingency budget log can be found in Appendix 3 to Annex H.

The contingency budget log is intended to ensure that:

- a. contingency budget allocations are clearly identified
- b. any movements in contingency budget allocations are recorded
- c. any excess or shortfall in the contingency budget is revealed
- d. a record is maintained of contingency budget reviews

9.4 Programming and allocating the contingency budget

Contingency Budget Programming

Any use of the contingency budget must be approved by the appropriate authority, as described in DMO Finance Instructions. The required amount should be transferred from the contingency budget to the programmed budget as soon as the work has been approved and recorded in the Contingency Budget Log under 'programmed contingency budget'.

The total amount transferred from the contingency budget to the programmed budget is referred to as the 'programmed contingency budget'. This term has the same meaning as the term 'applied contingency budget' within the DMO Finance Instruction on this subject.

Risk Treatments

The contingency budget can be used to fund risk treatments that were not identified in the original scope of work (when the project budget was approved). The budget for each treatment must be transferred to a specific work element within the PWBS (ie programmed) and recorded in the contingency budget log under 'programmed contingency budget'.

If the treatment relates to a risk that has a specific allocation within the contingency budget, then the cost of the treatment should be drawn from that allocation. If the residual risk is still high or extreme, then the remaining allocation must be adjusted to cover the expected cost. If the residual risk is not high or extreme, then the allocation must be reversed.

Treatments for risks that do not have a specific allocation in the contingency budget are funded from the unallocated contingency budget.

Budget transfers for risk treatments must be recorded in the contingency budget log against the risk ID from the Project Risk Register and the activity number from the PWBS, as shown in Appendix 3 to Annex H. Details of the treatment should be held in the PWBS dictionary.

New Risks

If a new risk is identified, then it must be recorded in the Project Risk Register and a decision must be made on whether or not it should be treated. If a treatment plan is approved, then the cost of that treatment must be transferred from the unallocated contingency budget to the programmed budget. If the residual risk is assessed as either high or extreme, then the expected cost of that risk must be transferred from the unallocated contingency budget to the allocated contingency budget.

The process is illustrated in Figure 9.3, 9.4 & 9.5.

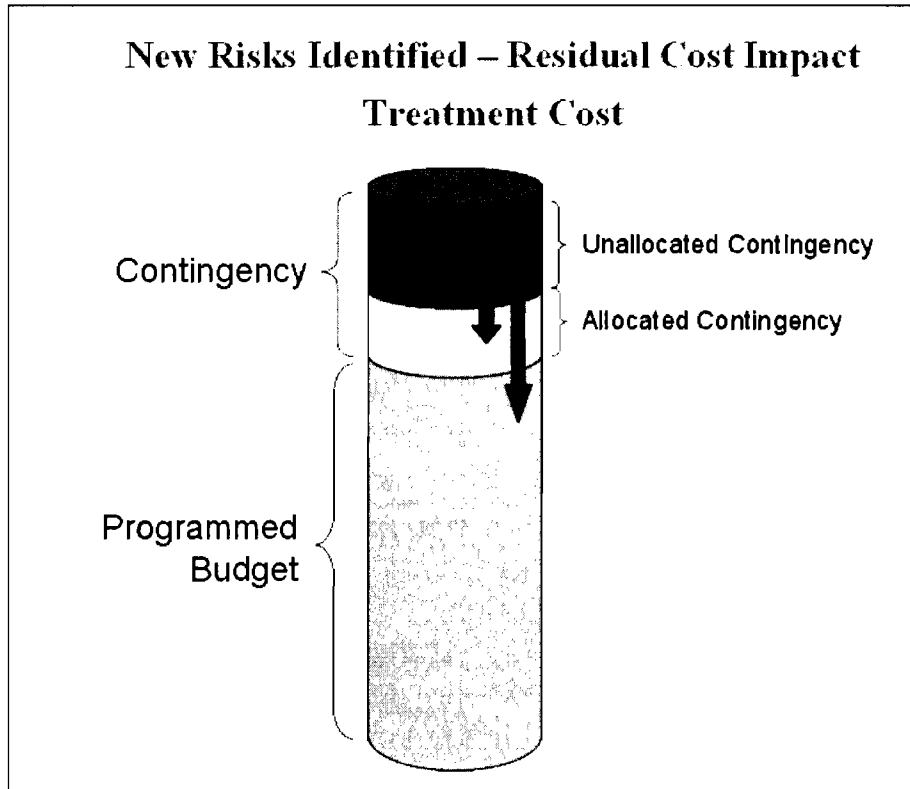


Figure 9.3: Managing the Contingency Budget

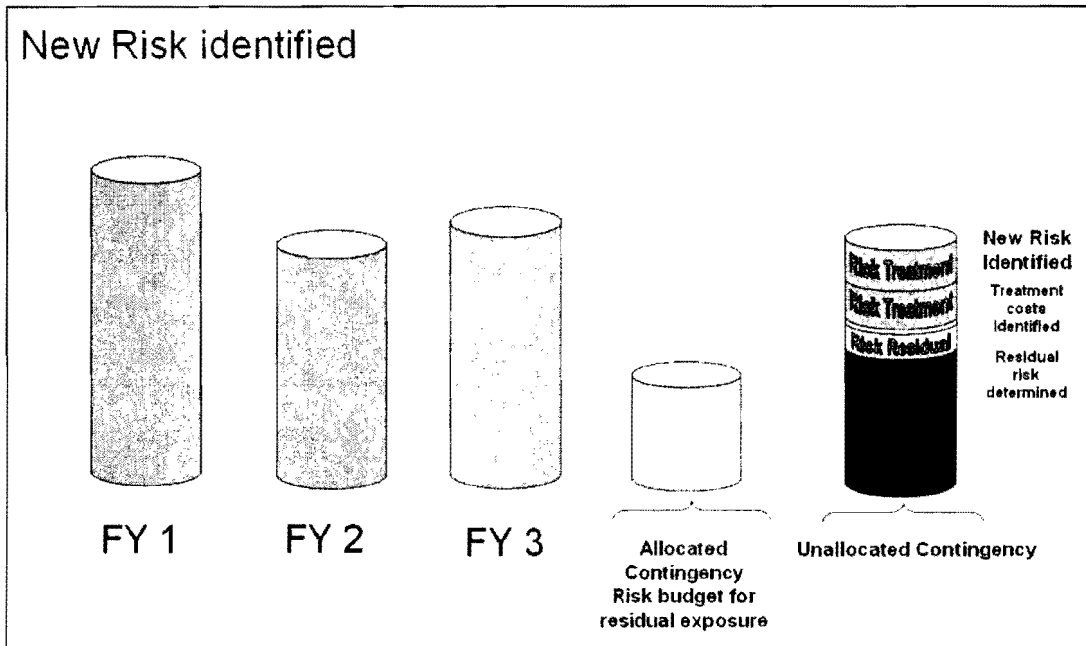


Figure 9.4: Estimating the Cost of New Risks

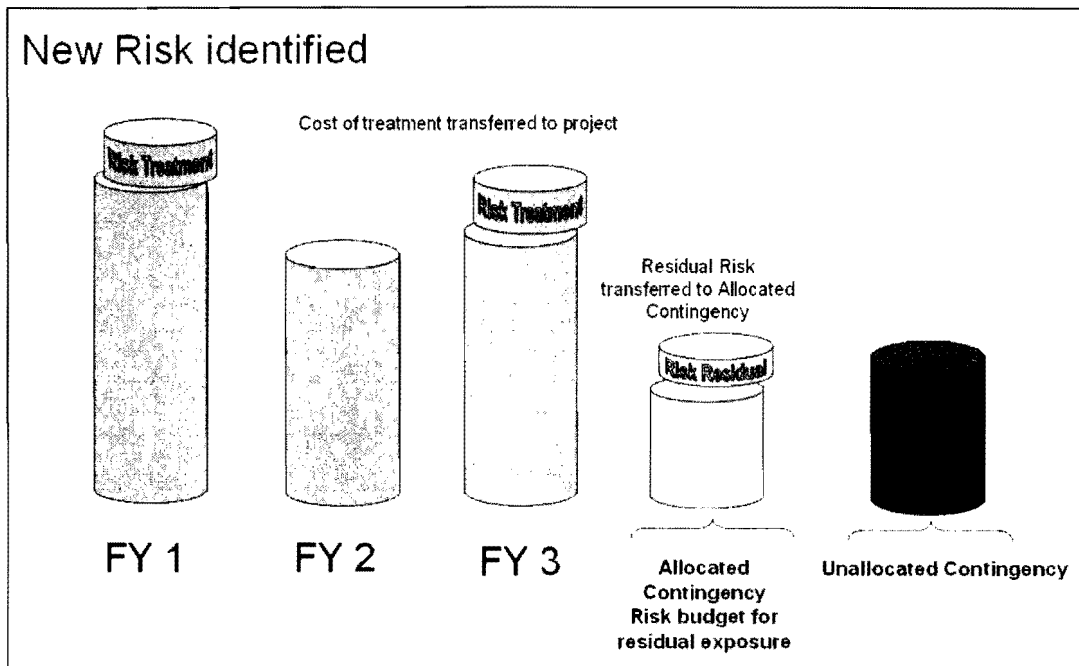


Figure 9.5: Programming the Cost of New Risks

Realised Risks (Issues)

The contingency budget can also be used to cover the budget impact of issues. Once again, the budget requirement must be transferred to a specific work element within the PWBS (ie programmed) and recorded in the contingency budget log under 'programmed contingency budget'. The entry must include the risk ID from the Project Risk Register and the activity number from the PWBS, as shown in Appendix 3 to Annex H.

Retired Risks

If the risk no longer exists (eg the time has passed), then any allocation held against that risk in the contingency budget must be removed. Unused funds that have been programmed to treat risks are also returned to the contingency budget. Examples of such transactions can be found in Appendix 3 to Annex H under 'allocated contingency'. This will lead to an increase in the unallocated contingency budget, as shown in Figure 9.6.

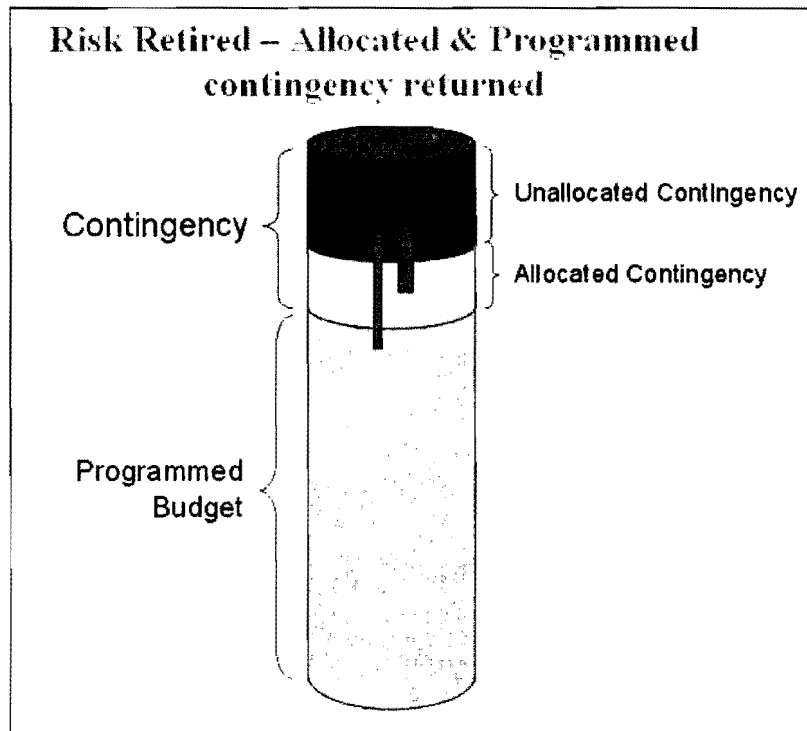


Figure 9.6 Retired Risks

Price and Exchange

The Contingency Budget Log must include a record of price and exchange gains and losses. Price gains or losses occur when a cost is incurred on a different price basis to that on which the work was budgeted. Exchange gains or losses occur when a cost is incurred at a different exchange rate to that on which the work was budgeted.

Individual exchange gains and losses and the net exchange gain or loss must be identified in a separate pool that does not include price gains and losses or any other entries within the Contingency Budget Log. Net exchange gains are not available for any other purpose than to cover subsequent exchange losses.

Additional Work

The project contingency budget must not be used to fund changes in the approved scope of the project or project stage as defined by the Material Acquisition Agreement (MAA). Out-of-scope work represents new work and requires an amendment to the MAA, supported by an appropriate business case.



9.5 Reviewing the contingency budget

The initial contingency budget is characterised by a high level of uncertainty. It is important to reduce that uncertainty as early as possible to ensure the budget is sufficient to cover any risk treatments that may be required, as well as the residual risk. This is achieved by an ongoing review of project risks and the contingency budget as the project matures.

Changes to the expected contingency budget requirement may be suggested by:

- a. new or additional risks,
- b. changes to project requirements or scope,
- c. changes to assumptions that underpin project cost estimates,
- d. changes to issues or risks that might affect the contingency budget,
- e. a refinement of project cost estimates project progress that enables refinement of the cost estimates with a subsequent refinement of the contingency provisions, and
- f. external influences (eg. policy, procedural, industrial or political) that might affect the cost estimates or contingency budget.

Each project usually has a number of milestones that represent 'tangible points of risk reduction', eg the Detailed Design Review (DDR) and First Article Acceptance Review. A risk review should be undertaken at each of these milestones.

Available Contingency Budget

The Available Contingency Budget is the amount of the contingency budget that remains after programming and adjustments for price gains and losses. The Available Contingency Budget should be sufficient to cover residual risks, comprising both known unknowns and unknown unknowns.

Where, as a result of a Project Contingency Budget review, the DMO Acquisition Project Manager does not consider the available Project Contingency Budget adequate to cover the inherent risks and uncertainties of the project, the following actions shall be undertaken:

- a. The DMO Acquisition Project Manager shall report the perceived inadequacy of the Project Contingency Budget to the Division Head (under General Manager Systems or General Manager Corporate) or Program Manager (under General Manager Programs).
- b. The Division Head (under General Manager Systems or General Manager Corporate) or Program Manager (under General Manager Programs) shall inform the Defence Customer and the Parties shall either:
 1. agree to accept the risk that approved project funding may be inadequate (recording this agreement); or
 2. develop and implement a risk mitigation plan; and

3. negotiate a real increase to the MAA Investment Price to cover the inadequacy either in full or in part (such negotiations may include offsetting the real increase for additional Project Contingency Budget with a corresponding real reduction in MAA scope, as determined by the Customer).
- c. The DMO Acquisition Project Manager shall report the project as a "Project with Inadequate Project Contingency Budget" in MRS, and the action that is being pursued, until such time as the inadequacy no longer exists, either through MAA amendment, the implementation of risk mitigation strategies, or through changing circumstances.

When the Available Contingency Budget is deemed to be excessive compared to the project risk, an amendment should be sought to the MAA to reduce the investment price. These adjustments should be done over the life of the project as the accuracy of the estimates improves.

During the MAA Closure process, the remaining available contingency budget (ie which is no longer required to complete the project or project stage) is written back, thus reducing the total investment budget to match the final project cost. This corresponds to a reduction in the MAA Investment Price which is processed in accordance with the DMO Project Instruction on the MAA Closure.

9.6 Reporting on the contingency budget

The total expected cost of project risk should be determined at the start of the project, as well as the planned expenditure on risk treatments and the planned reduction in risk exposure over time. Actual values must then be tracked and compared with the plan. This will determine if the risk treatments are having the desired effect. Reductions in the cost of project risk must not be logged until the treatment has had an effect and the cost of any remaining risk has been validated.

Projects are required to report on their contingency budget to line management and PMSGs, as described in Chapter 3. Ideally, these reports should be supported by charts similar to those in Figure 9.6, which illustrate four situations in which the total cost of project risk might vary in relation to planned, replanned or actual use of the contingency budget.

The remaining contingency budget must be sufficient to cover the total expected cost of all remaining project risks.

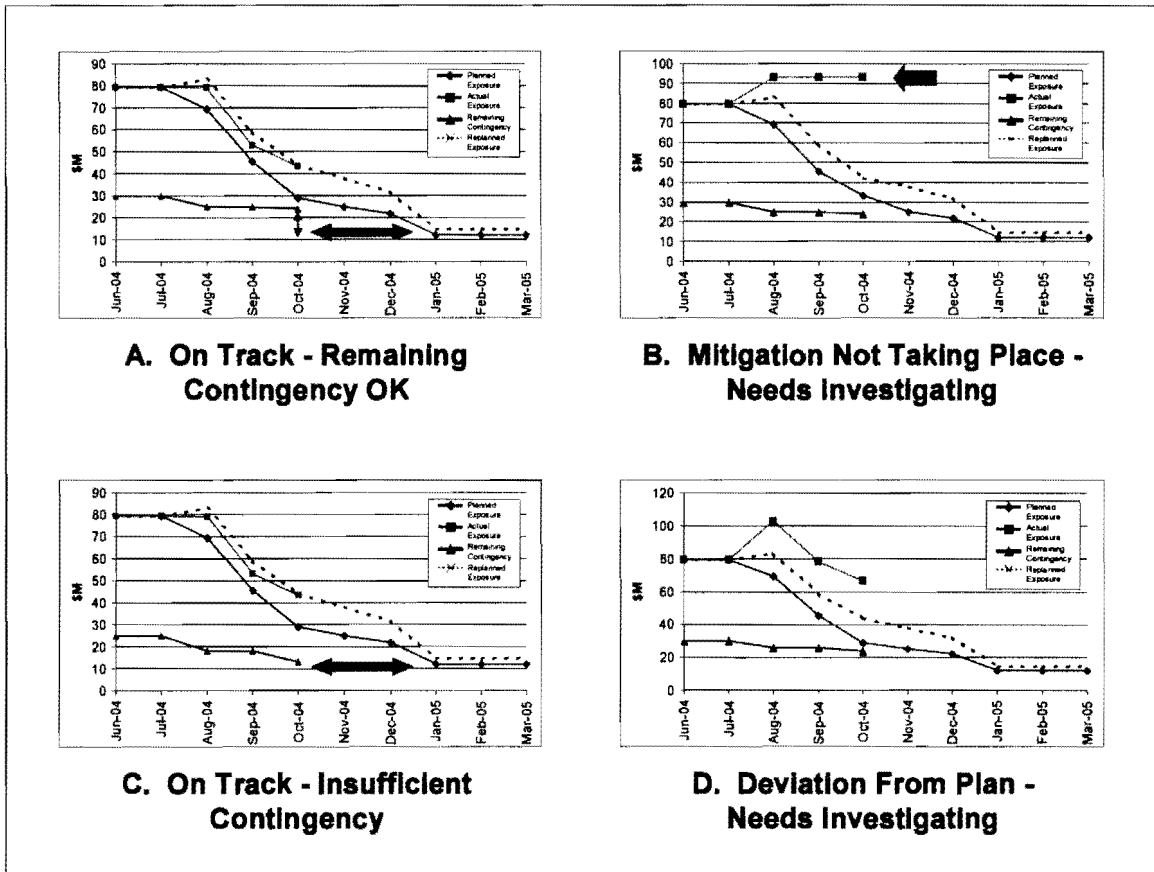


Figure 9.6 – Tracking Project Exposure against Contingency Budget Application

The lines on each graph are defined as follows:

- The “Remaining Contingency Budget” (black) line includes the amount allocated to known risks (allocated contingency) and the remaining amount within the contingency budget for ‘unknown unknowns’.
- The “Planned Exposure” (solid blue) line shows the current baseline for the planned reduction in risk exposure. This could be the original plan (at the time of MAA signature) or the rebaselined plan from the most recent budget review. Note that “Planned Exposure” is based on known risks and does not include any allowance for ‘unknown unknowns’.⁴¹
- The “Replanned Exposure” (broken blue) line shows the changes to the current baseline as new risks are identified and treatments are implemented. The “Replanned Exposure” line is not an opportunity to replan each month.

⁴¹ Typically, there are significant milestones in a project that are known as ‘tangible points of risk reduction’. The Detailed Design Review (DDR) and the First Article Acceptance are examples of these milestones. The “Planned Exposure” and “Replanned Exposure” lines should align with these milestones to the extent that the risk exposure associated with any identified risks is reduced when these milestones are completed (including risk closure). In many respects, however, the major effect at these milestones will be a reduction in the required allowance for ‘unknown unknowns’, which will not be evident from the “Planned Exposure” and “Replanned Exposure” lines.

- d. The "Actual Exposure" (red) line highlights whether or not the change in exposure is tracking in accordance with the current plan (i.e. the "Replanned Exposure" line).

When a new risk is identified, the "Actual Exposure" line is likely to change to reflect the change to the project cost risk exposure due to the new risk. Note that this line may not change by the same amount as the risk exposure associated with the new risk because the line also takes into account any changes to other risks at the same time.

When a Risk Treatment Plan is developed and programmed, the "Remaining Contingency Budget" line will change to reflect the approval and programming of contingency budget to cover the risk treatment. The "Replanned Exposure" line will also change to show the expected effect of the risk treatment on the project cost risk exposure.

If the "Remaining Contingency Budget" line starts to approach the level of the "Replanned Exposure" line at the end of the project, this could indicate that the remaining contingency budget is inadequate because there may not be an adequate allowance remaining to cover 'unknown unknowns'.

The situations in Figure 9-6 are summarised as follows:

- a. Case A illustrates the situation where there is adequate contingency budget and the actual exposure is tracking to the plan.
- b. Case B illustrates the situation where a risk treatment has not been effective or has not been implemented. This situation would warrant further investigation.
- c. Case C illustrates the situation where the actual exposure is tracking to the current plan; however, the approval and programming of contingency budget to cover the risk treatments means that there is likely to be insufficient contingency budget. This project would need to be reported as a "Project With Inadequate Contingency".
- d. Case D illustrates the situation where there has been a major deviation from the plan, perhaps due to the occurrence of an 'unknown unknown', an ineffective risk treatment, or an underestimation of the consequences of a risk with respect to cost. This situation would warrant further investigation.

Projects are required to report on the management of their contingency to their line management and PMSGs, as described in Section 3.9. The extent to which the contingency budget is effectively managed provides an important indication of how well the project is being managed overall.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q23: AWD Project

Senator Johnston provided in writing.

The Australian National Audit Office has stated in its 2012-13 Major Projects Report (Page 99), with respect to use of contingency budgets, "the method for managing and recording a project's contingency budget varied, with some projects demonstrating a direct link between the contingency log and the approved risks identified in the risk log, while for other projects there was a less direct relationship".

- (a) What method is being employed by the AWD project;
- (b) Please provide the committee a copy of the AWD project contingency log;
- (c) Please provide a detail assessment of the costs estimates (salary, indexation, etc.) of the AWD schedule re-baselining across the entire alliance;
- (d) Please advise whether these costs estimates were provided to the Minister for Defence before his re-baselining announcement on 06 September 2012;
- (e) Please provide an estimate of the contingency allocation to the AWD project risks identified in the Australian National Audit Office 2012-13 Major Projects Report;
- (f) What exposure does the Defence have if the AWD Alliance target cost estimate of the Air Warfare Destroyer is exceeded (e.g. 100% for every dollar over, 50% for every dollar over);
- (g) Noting the first destroyer has not had very many (sensor and weapon) systems integrated and tested, and the ship is not in the water – and noting contingency must have been consumed as a result of the blocks issue and schedule re-baselining:
 - (i) Does the DMO anticipate that they may have to apply for a real cost increase to meet a future AWD budget shortfall; and
 - (ii) If so, what is the extent of the likely real cost increase.

Response:

(a) The Air Warfare Destroyer (AWD) program management office maintains a Defence contingency log which is directly linked to the regular assessment of program risks and opportunities. Defence contingency is intended to cover inherent cost, schedule and technical risks and uncertainties of the in-scope work of the program. As part of the program's contingency management system, the financial consequence of risks and opportunities that have been realised are recorded in the Defence contingency log.

The estimates of contingency budget that might be required for risks and opportunities are allocated on the basis of the financial consequence multiplied by the estimated probability of the event occurring (probability weighted cost). Uncertainties are allocated on the basis of the financial consequence if known; otherwise they are recorded against “unknowns” (as described in the DMO project risk management manual).

Together with the allocated budget, the Defence contingency log provides a snapshot of the Program’s financial state covering in-scope work, risks, opportunities and uncertainties.

- (b) The AWD program management office’s Defence contingency log is a commercial-in-confidence document and public disclosure would compromise the Commonwealth’s commercial position.
- (c) All Program costs remain within the Defence budget approved in 2007. The extension of keel-to-keel intervals to 18 months between each ship will reduce project risk, reduce peak demand on critical resources and create savings by improving productivity and stabilising the workforce demand over time. These, and other factors, were considered in the assessment undertaken by Raytheon Australia Pty Ltd and ASC AWD Shipbuilder Pty Ltd. The detailed assessment undertaken by these companies of the schedule re-baseline costs is company commercial-in-confidence data.
- (d) Raytheon Australia Pty Ltd and ASC AWD Shipbuilder Pty Ltd advised the AWD Program Management Office that the schedule re-baseline would not require a contract price increase. Additional costs associated with the prolonged program are offset by the ability of alliance industry participants to retire program risks given additional time to deliver. The Minister for Defence was advised of this negotiation outcome.
- (e) The AWD program management office’s Defence contingency log is a commercial-in-confidence document and public disclosure would compromise the Commonwealth’s commercial position. Approved funds are adequate to cover the known risks and uncertainties.
- (f) The Commonwealth and the industry participants share actual costs that exceed the Target Cost Estimate (TCE) 50:50 to a defined limit, after which the Commonwealth is liable for all costs. Current exposure for the Commonwealth is assessed as below the Defence contingency available.
- (g)
 - (i) AWD program defence contingency has not been consumed as a result of the blocks issue or the schedule re-baselining.

There is no current evidence to indicate that there will be a future AWD budget shortfall. All known risks and uncertainties are covered including the assessed risk profile for the potential of any alliance overrun.

(ii) There is currently no evidence that indicates a real cost increase will be required.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q24: AWD Project

Senator Johnston provided in writing.

- (a) How many companies involved in the AWD program have had liquidated damages applied to them by the Commonwealth (or the AWD alliance);
- (b) What is the total value of the liquid damages that have applied to the AWD alliance members;
- (c) What is the total value of the liquid damages that have applied to AWD sub-contractors;
- (d) Which companies involved in the AWD program have had liquidated damages applied to them by the Commonwealth (or the AWD alliance);
- (e) How many companies involved in the AWD program have had liquidated damages clauses amended by the Commonwealth (or the AWD alliance) as a result of the announced re-baselining; and
- (f) The Australian National Audit Office has stated in its 2012-13 Major Projects Report (Page 191) of the AWD alliance that "All financial accounting is on an "open book" basis."
 - (i) What does this statement mean with respect to costs, profits and contingency accounting; and
 - (ii) To what level of accounting fidelity is the "open book".

Response:

(a), (c) and (d) The Commonwealth has not applied liquidated damages to any companies involved on the AWD Program to date.

ASC AWD Shipbuilder Pty Ltd and Raytheon Australia Pty Ltd consider that the details of their contractual rights and remedies are commercially sensitive and have designated them commercial-in-confidence. Public disclosure of this information would compromise the commercial position of the companies.

(b) No contractual key event dates have been missed that that would trigger the liquidated damages provisions and no liquid damages have been applied to the AWD Alliance Industry participants.

(e) The AWD Alliance Agreement has been amended to reflect the re-baselined schedule. The contractual provisions relating to liquidated damages remain in force and apply if the re-baselined key event dates are not achieved.

- (f)
 - (i) “Open book” in the AWD Program context refers to the provision of AWD Program specific financial information and data held by ASC AWD Shipbuilder Pty Ltd and Raytheon Australia Pty Ltd. The Commonwealth is entitled to access any company data related to the program including input cost elements from the companies.
 - (ii) Full disclosure of AWD-specific financial information and data held by the Industry Participants is available to the Commonwealth through the Alliance-Based Target Incentive Agreement (ABTIA) contract audit and reporting provisions.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

ADDITIONAL ESTIMATES – 13 February 2013

Q25: Pathway to Change

Senator David Johnston provided in writing on 25 February 2013:

The Secretary stated at Estimates: At the risk of opening up a wider issue, on accountability, in general, you are right. It is something that the minister has been very much focused on, and it is something that we are focused on too. Personal accountability – which is what you are going to – down through the Defence organisation is an issue. It was identified as a major issue in a review initiated by General Hurley and my predecessor, Duncan Lewis, and it features in the Pathway to Change. (a) Please provide the committee a description of milestones and timeline on the "Pathway to Change" project – in particular, related to Personal Accountability.

Response:

The *Pathway to Change* strategy of cultural reform and reinforcement in Defence sets a two-year timeline to implement reform 15 key actions and 160 recommendations from the Defence culture and other reviews included in *Pathway to Change*. Realising that substantial change in Defence culture will take some years, the program proposes an overall five-year time frame for achieving initial cultural effect. Personal accountability is addressed by a number of program elements contained in the *Pathway* strategy and its supporting Implementation Strategy, as follows:

- (a) The Secretary and Chief of the Defence Force (CDF) have overall accountability for the *Pathway to Change* strategy over the time-line of the whole program.
- (b) The *Pathway* change framework is built around six 'levers' for implementation with assigned Defence leads (members of the Defence Cultural Reform Steering Committee) responsible for overall direction and delivery of outcomes against the proposed implementation time-lines. The Committee includes the Secretary, CDF, Vice Chief of the Defence Force, Chief Operating Officer, Chief of Navy, Chief of Army, Chief of Air Force and Deputy Secretary Defence People.
- (c) The 15 Key Actions and 160 Review Recommendations contained in *Pathway to Change* are allocated to Defence SES Band 2 or Two Star ranked officers to implement within the two year implementation time-line. Monitoring and reporting of progress and achievement is reviewed quarterly.
- (d) In addition, achievement of the *Pathway* cultural intent is also reinforced through the delivery of supporting respective Service and Group culture programs.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q26: Collins Personnel

Senator Johnston provided in writing:

In testimony, the Chief of Navy advised the committee that he had given a presentation to “a considerable number of senior and resource sector executives in Western Australia”. Please provide the committee with a copy of the presentation given.

Response:

Chief of Navy’s meeting with senior mining and resource sector executives in Western Australia took the form of a discussion as stated in testimony. There was no formal presentation. Executives from companies including Apache Australia, BHP Billiton, Chevron, Fortescue Metals Group, Rio Tinto, Shell Australia, and Woodside were present.

As stated by Chief of Navy, the key point discussed with executives was the impact of further losses in the Navy workforce to the resource sector and the impact this would eventually have on Navy’s ability to respond with viable capabilities. The Chief of Navy noted the submarine capability as a case in point and focussed specifically on the number of submarine command qualified officers (highlighting that one of these officers who had recently left the Service was at the table as one of the industry representatives) and submarine engineering officers.

The discussion also focussed on the challenge of retaining a workforce where lateral entry options were limited and what Navy was doing to enhance the non-tangible aspects of Service life given that direct competition on salary was not viable. Executives comprehended the challenge for Navy and the potential consequences for capability.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q27: Collins Personnel

Senator Johnston provided in writing:

Please provide a list of any recommendation from the Moffitt review into Submarine Personnel Sustainment that have not yet been implemented.

Response:

Two of the twenty nine recommendations arising from the Submarine Workforce Sustainability Review remain in the course of implementation. These are recommendations 9 and 12. The remaining recommendations have been completed.

Recommendation 9 – Simulation Systems – stated that proposals for development of submarine training facilities through upgrade of existing systems and acquisition of new systems should be given priority. A number of simulation systems at the Submarine Training Systems Centre are currently being upgraded or enhanced including the Platform Training Simulator (due for completion in August 2014). New systems, such as the Submarine Virtual Walk-through, which familiarises trainees with the location of equipment and systems throughout the submarine, have been acquired. Others are in the course of acquisition, including the Land Based Test Facility, which will improve the fidelity of propulsion system training. The propulsion control component of this facility has already been delivered. Incorporation of an operating submarine diesel generator will be completed by December 2013, to be followed by the addition of a battery section. The integration of improved sensor simulation into the Command Team Trainer has also been incorporated into the scope of Project JP 3035, which continues to be developed. All of these simulator developments will improve Navy's capacity to train and up-skill the submarine workforce, and will enhance training throughput.

Recommendation 12 – Multi Crewing – stated that the mid-term goal for crewing submarines, once the workforce situation has been stabilised and numbers allow, should be to flexi-crew on the basis of three crews per two submarines. Navy did not commit to a flexi/multi crewing regime without fully understanding the feasibility, achievability and resource implications. To this end, Navy undertook to complete a study within three years of achieving and maintaining four sustainable crews and a sustainable Submarine Support Group, and not later than December 2014. The fourth crew was stood up in December 2012 and further workforce growth is required to ensure sustainability. Of note, outcomes of the recently completed Coles Review, including the emerging priority to raise a fifth sustainable crew in support of revised submarine availability targets, will factor into further consideration of recommendation 12.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTION ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q28: Collins Personnel

Senator Johnston provided in writing.

(a) Defence indicated in answers to questions from the October 2012 Estimates the submarine qualified personnel numbers they aspired to over the next 5 years - Please provide an updated forecast. (b) Defence indicated in answers to questions from the October 2012 Estimates the perisher qualified personnel numbers they aspired to over the next 5 years - Please provide an updated forecast. (c) Please provide a summary of plans in place to increase the Perisher numbers, noting present circumstances (e.g. less than ideal submarine availability as per Chief of Navy's comments at the recent hearings).

Response:

(1) (a) and (b) The expected number of submarine qualified personnel and Perisher qualified personnel over a five year period was provided in response to Question on Notice No. 62 following Senate Supplementary Estimates on 19 October 2011 (rather than October 2012 as suggested in this question). Using updated personnel statistics and expected qualification rates under a revised training plan to be trialled in Financial Year 2013/14, current modelling indicates the expected number of submarine qualified personnel, including Perisher qualified personnel, over the period 2013 to 2017 is as follows:

FY12/13 – about 478 (including 14 Perisher qualified personnel)
FY13/14 – about 518 (including 15 Perisher qualified personnel)
FY14/15 – about 558 (including 15 Perisher qualified personnel)
FY15/16 – about 600 (including 17 Perisher qualified personnel)
FY16/17 – about 640 (including 18 Perisher qualified personnel)

These projections are only for Collins qualified personnel between the ranks of Seaman to Chief Petty Officer for sailors, and Sub-Lieutenant to Commander for officers. They also account for anticipated promotions to senior officer rank (Commodore and Captain) and Warrant Officer, noting personnel in these ranks do not serve at sea in submarines. These figures vary from those projected in 2011 due to the unexpected separation rate over FY2011/12, which was substantially higher than the rate in previous financial years. They also reflect intended improvements in training throughput under the revised training plan.

(2) (c) Navy is finalising a refined career continuum for submarine warfare officers, which includes the aim of improving the throughput and success rate of Perisher candidates. The new continuum includes a revised structure under which warfare officers progressively gain qualifications, consolidate experience, and advance their careers. It also introduces a more formal Perisher screening process, which includes an independent assessment of the readiness of Perisher candidates at sea under conditions similar to the course. This is intended to ensure more objective judgement of the readiness of candidates, and provide candidates with stronger confidence in their ability to succeed on course. It will also allow Navy to identify candidates who require more training and experience before undertaking Perisher. The new continuum opens the opportunity for promising candidates to undertake Perisher at an earlier stage in their warfare career if deemed ready without denying others an option to undertake the course later for either personal reasons or to consolidate their knowledge and skills.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Budget Estimates – 13 February 2013

Q29: Collins Costs

Senator Johnston provided in writing:

In relation to Collins Class submarines please provide an update on submarine force costs, namely:

- (i) Sustainment Costs
- (ii) Operating Costs
- (iii) Approved Major Capital Investment program
- (iv) Minor projects
- (v) Total of (i) through (iv) (vi) Depreciation

Response:

(i) – (vi) The updated Collins class costs since the response to Question on Notice Q19, following Senate Supplementary Budget Estimates Hearings on 17 October 2012, are as follows:

DESCRIPTION	2012/13	2013/14	2014/15	2015/16
	\$m	\$m	\$m	\$m
Sustainment Costs	500	573	553	512
Operating Costs	177	183	180	191
Approved Major Capital Investment Program	29	33	19	15
Minor Projects	0	0	0	0
TOTAL COLLINS PROGRAM	706	789	752	718

Anticipated depreciation costs	140.0	140.0	140.0	140.0
--------------------------------	-------	-------	-------	-------

These updated figures reflect the following changes since the response to Q19:

- Sustainment costs have been adjusted to reflect the routine application of foreign exchange adjustments since October 2012. There was also a redistribution of sustainment funding across Navy's sustainment budget that allowed the allocation of an additional \$20m to the submarine sustainment budget in FY13/14 to progress continuous improvement initiatives and additional obsolescence management plans. Additionally, sustainment costs have been adjusted to reflect the injection of Net Personnel Operating Costs supplementation from a major submarine project (SEA 1439 Phase 3) to fund the support of equipment delivered by that project in FY 12-13.
- The operating budget has been updated to reflect Navy's overall operating budget following the Mid Year Economic Financial Outlook.
- The Approved Major Capital Investment Program has been updated to reflect foreign exchange adjustments, new project spending profiles based on revised project implementation strategies, and changes to project implementation schedules reflecting the latest submarine Integrated Master Schedule.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q30: Collins Costs

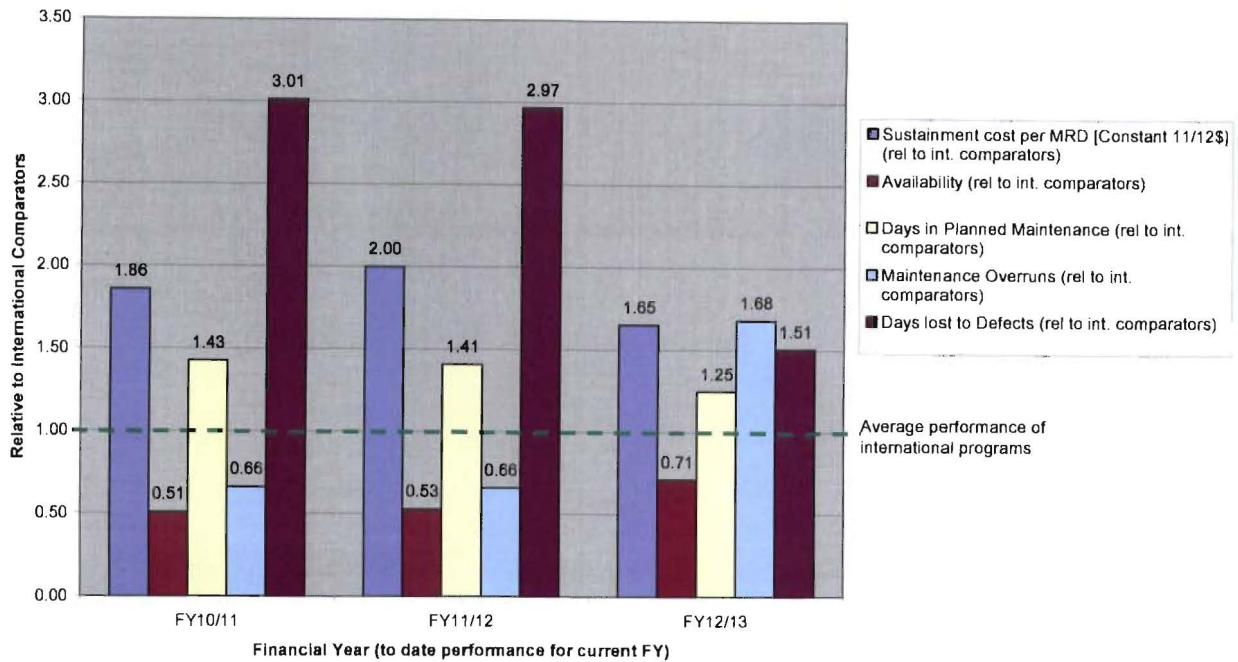
Senator Johnston provided in writing:

- (a) In accordance with benchmarking suggestions made by the Chief of Navy during hearings please provide the cost per Material Ready Days from 1 July 2008, in financial year, to present.
- (b) In accordance with benchmarking suggestions made by the Chief of Navy during hearings please provide a report on maintenance overruns from 1 July 2008, in financial years, to present.
- (c) In accordance with benchmarking suggestions made by the Chief of Navy during hearings please provide a report on percentage days lost to defects.

Response:

(a) – (c) As indicated by Chief of Navy, the Coles review team established the performance of the Collins class sustainment program compared to benchmarks based on the average performance of international submarine sustainment programs. These included sustainment cost per Material Ready Day (MRD), availability, planned maintenance duration, maintenance overruns, and percentage days lost to defects. The performance of the Collins class sustainment program against these benchmarks from FY2010/11 to the FY2012/13 to date (relative to the benchmarks) is detailed in the following graph. Performance prior to FY2010/11 has not been included because of the different measures used to define availability during that period.

COLLINS PROGRAM PERFORMANCE



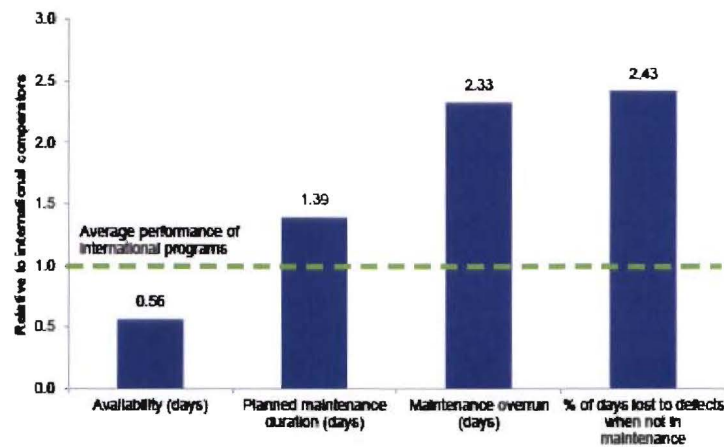
The relative performance of the Collins class sustainment program as presented in the final Coles Report is slightly different to that in graph above for a number of reasons. The figures in the Coles Report are based on average performance over the past five years whereas the figures above reflect in-year performance. The Coles Review Team also used different criteria in attributing days lost to maintenance overruns and days lost to defects. In aggregate, however, the days lost to both maintenance overruns and defects in the graph reflect those in the final Coles Report.

A trend towards a value of one in all columns in the graph above would indicate that the performance of the Collins submarine sustainment program is approaching international benchmarks. This is the planned outcome under the transformation program now underway across the Submarine Enterprise. Cost performance over the next few years will be driven by the need for investment in inventory and reliability improvements necessary to promote and sustain availability into the future.

environments. Despite these differences the availability performance of the comparator nations falls within a narrow band and therefore constitutes a valid benchmark.

The CCSP performance from FY06/07 to FY10/11 is compared with the average performance of each comparator submarine fleet in Figure 14. The analysis indicates the availability performance of the Collins Class has been slightly over half that achieved by the comparable international programs; the time in planned maintenance was about one third greater than other nations; and the maintenance overruns and the percentage days lost due to defects were approximately double that of the comparators.

Figure 14 - Collins performance compared to other international navies



The recording of Collins Class URDEFs has formerly differed from good practice. The recording of URDEFs on the Collins Class commences on completion of Harbour Acceptance Trials (HATs). However, good practice recording of URDEFs would commence on completion of Sea Acceptance Trials (SATs). The Collins method of recording has artificially increased the number of URDEFs. The contract based defect reporting procedures should be used prior to completion of SATs.

3.5 Characteristics of International Programs

Each of the programs contributing to the International Benchmarking Activity⁴ has various features that collectively form the “way they operate” in procuring and delivering submarine sustainment. Figure 15 illustrates these features and shows the percentage of contributing nations that have each of these features in common. The CCSP alignment with each of these features is assessed against the International Nations and given a status.

⁴ Collins Class Submarine International Benchmarking Marking Activity Report (June 2012)

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates Hearings – 13 February 2013

Q31: Collins Sustainment

Senator Johnston provided in writing:

In testimony the Chief of Navy and CEO of the Defence Material Organisation indicated a new submarine “materiel sustainment agreement” between Navy and DMO is in place.

- (a) Can you please provide the committee with a copy of the agreement, or provide a briefing to the committee on this matter?
- (b) Please detail who the signatories are, by name, to this financial year’s Submarine Materiel Sustainment Agreement?
- (c) In line with the Secretary’s comments on personal accountability, what sanctions are in place for DMO senior executive/officers who don’t deliver in accordance with the submarine Materiel Sustainment Agreement Key Performance Indicators?
- (d) Does an independent party to the Materiel Sustainment Agreement audit the results? If not, what is Defence’s plan to give the Parliament confidence that Materiel Sustainment Agreement Key performance indicators are being met each year for the submarine force element group and for other force element group more generally.
- (e) Please report if the 2011/2012 Submarine Materiel Sustainment Agreement Key Performance indicators were met by the DMO?

Response:

- (a) The Materiel Sustainment Agreement comprises an overarching agreement between Navy and the DMO and a range of individual Product Schedules, which are the individual agreements for sustainment of each of Navy’s capabilities. Collectively, these documents are classified and can be explained to the Committee during a private briefing.

(b) The Submarine Product Schedule is signed by Director General Submarine Capability in Navy (Commodore G.J. Sammut, RAN) and Program Manager Collins and Wedgetail in DMO (Air Vice Marshall C.L. Deeble). The schedule is also signed by Director General Logistics – Navy (formerly Commodore C. Thomas, RAN, now Commodore A. Smith, RAN) as Navy's coordinator across all Product Schedules. These arrangements are underpinned by a written agreement between Chief of Navy and General Manager Submarines in DMO (Mr D. Gould), setting out their respective roles and responsibilities in delivering submarine capability.

(c) The Submarine Product Schedule is managed at the one-star level between Director General Submarine Capability for Navy (Commodore G.J. Sammut, RAN) and Director General Collins Sustainment for DMO (Commodore J.W. Chandler, RAN). Failure to meet performance indicators trigger a number of consequences which are aimed at correcting deficiencies to avoid further failures. In terms of sanction, the failure to meet principal performance indicators, which are realistic yet challenging, involve formal reporting to Chief of Navy and CEO DMO with an explanation of the reasons for failure, and steps to improve future performance. These reports are taken into consideration during the performance appraisals of responsible officers, which have a direct bearing on their current and future appointments and career progression. In other instances, sanction will involve administrative action against personnel who have failed to perform for reasons of negligence.

(d) The Product Schedule is an internal Defence mechanism to manage materiel aspects of the submarine capability, the outcomes of which are reported in other forms to the Parliament, including the Defence Annual Report, testimony during Senate Estimates hearings, and private briefings to the Senate Standing Committee on Foreign Affairs, Defence and Trade. Internally, performance under the Product Schedule (including key performance indicators) is reviewed at several levels. Operational Sustainment Management Meetings are held monthly, jointly chaired by Director General Submarine Capability (Navy) and Director General Collins Sustainment (DMO). During these meetings, key performance and key health indicators are reviewed, workload is considered, financial performance is reported, change proposals are discussed, risks are assessed, and other required business is conducted. Biannual Fleet Screenings are conducted in February/March and September/October. These meetings are chaired by Deputy Chief of Navy, and attended by the Fleet Commander (Navy), General Manager Submarines (DMO), Program Manager Collins and Wedgetail (DMO), Director General Submarine Capability (Navy), and Director General Collins Sustainment (DMO). The purpose of these meetings is performance management and priority adjustments, taking account of risks and consequences for capability sustainment.

As targets and achievements for key performance indicators are classified, Defence is able to provide Committee with the results of performance reviews during private briefings to the Committee.

(e) Some targets in the Collins Product Schedule for FY2011/12 were found to be beyond the ability of the submarine enterprise to meet. Subsequent to and in line with the

recommendations of the Rizzo and Coles Reviews, the FY2012/13 Collins Product Schedule has been completely redrafted to establish achievable yet challenging targets.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q32: Submarine Docking

Senator Johnston provided in writing:

- (a) Please provide a description of phases of work up (between the time when the submarine leave ASC until it reaches a point where it has established a minimum level of capability useful to the Maritime Commander) and the typical (empirical) time frame for each phase.
- (b) What is the planned date of departure for HMAS Rankin from ASC?
- (c) What is the planned date of departure for HMAS Collins from ASC?
- (d) Which boat is next up for a mid-cycle docking and how long is that docking schedule for?
- (e) Which boat is next up for an intermediate docking and how long is that docking scheduled for?

Response:

- (a) On completion of the harbour acceptance phase and following full cycle docking maintenance, submarines depart ASC for sea acceptance trials and crew safety training and assessment. (Note that full cycle docking maintenance has been explained in the response to Question on Notice Q33). These trials, training and assessment complete the submarine licencing process, after which the submarine is certified for operational work up and subsequent employment. Disclosure of the time frame for licencing and work up would enable the operational status of the submarine fleet over the future to be determined, and can be provided to the Committee during a private briefing.
- (b) The currently planned departure date of HMAS *Rankin* from ASC is 28 July 2014.
- (c) The currently planned departure date of HMAS *Collins* from ASC is 18 May 2016. This date is likely to change as recommendations arising from the Coles Review are implemented.
- (d) HMAS *Dechaineux* is the next submarine to enter mid-cycle docking, which is currently scheduled for 8 July 2013 to 21 December 2014.
- (e) HMAS *Sheean* is the next submarine to enter intermediate docking, which is currently scheduled for 1 July 2014 to 15 October 2014.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q33: Submarine Docking

Senator Johnston provided in writing:

Please provide a description of phases of a Full Cycle Docking (between the time when the submarine arrives at ASC and departs ASC) and the typical (empirical) time frame for each phase.

Response:

There are currently a number of phases for a Full Cycle Docking. These are:

- (a) Arrival preparation phase;
- (b) Strip and survey;
- (c) Repair / Refurbishment / Capability enhancement;
- (d) Rebuild;
- (e) In-water phase; and
- (f) Harbour acceptance phase.

The work and approximate timing for each phase is as follows:

- (a) Arrival preparation phase covers:
 - (i) Submarine docking, defueling, external equipment clean, empty and clean tanks, decommission/de-energise systems (hydraulics, air) and removal of battery.
 - (ii) This phase is approximately 3 months.
- (b) Strip and survey phase covers:
 - (i) Equipment and valve removal, tank surveys, equipment surveys and grit blasting.
 - (ii) This phase is approximately 6 months.
- (c) Repair / Refurbishment / Capability enhancement phase covers:
 - (i) Tank and bilge repairs, final blast and paint of bilges, corrosion repair of boundary penetrations, main motor maintenance, diesel strip and survey, and weapons system repair. Numerous items of

equipment are sent to the original equipment manufacturers for refurbishment.

- (ii) This phase is approximately 10 months.

- (d) Rebuild phase covers:
 - (i) Final blast and paint of tanks, equipment replacement, tank closures, weapons system rebuild, battery installation, combat and communication system rebuild, completion of capability enhancements. As a risk mitigator, various systems are set to work prior to undocking of the submarine.
 - (ii) This phase is approximately 12 months.

- (e) In-water phase phase covers:
 - (i) Remaining systems are set to work. The propulsion, combat and communications systems constitute the critical path.
 - (ii) This phase is approximately 6 months.

- (f) Harbour acceptance phase
 - (i) This covers the alongside period after ASC returns the submarine to Navy control, and allows the crew to ensure that all systems are functional and all necessary training and other preparations are completed prior to taking the submarine to sea.
 - (i) This phase is approximately 7 weeks, driven to an extent by the requirement to transfer crews from submarines entering full cycle docking to submarines completing full cycle docking.

The subsequent period at sea involves sea trials, which are not currently considered to be a recognised phase of a full cycle docking. The Coles Report recommends that sea trials also be considered to be part maintenance activity, and the Navy, DMO and ASC are collaboratively working through the implementation of this recommendation.

Separately, the Coles Report also recommends changing the Collins class usage upkeep cycle from the current 8 year operating cycle followed by a 3.5 year full cycle docking to a 10 year operating cycle followed by a 2 year full cycle docking. The Navy, DMO and ASC are currently designing the implementation of this recommendation; however, it will alter the durations of the various full cycle docking phases advised above.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q34: Submarine Docking

Senator Johnston provided in writing:

- (a) How many other countries are known to “cut the hull” to complete a submarine docking (excluding those where an Air-Independent Propulsion section has been inserted)?
- (b) What is the cost attributed to the actual cutting and re-welding of the pressure hull?
- (c) What are the technical risks associated with cutting and re-welding of the pressure hull?
- (d) Noting “cutting of the hull” has not been carried out in Australia, are we seeking external assistance/oversight for this job? If so, who is providing such assistance/oversight?

Response:

- (a) Australia and at least two other countries (USA and UK) are known to cut submarine pressure hulls to assist in completion of docking level maintenance activities.
- (b) The cost directly attributable to the actual cutting and re-welding of the pressure hull above the Main Generator Room of a Collins Class submarine is estimated at \$2 million. An estimated additional \$1.9 million of costs is indirectly attributable to the physical cutting and re-welding. This includes removal and replacement of piping in the vicinity of the cut, rigging and other indirect labour. A further estimated \$0.4 million in non-recurring effort cost will be incurred to establish these techniques as part of routine process for Full Cycle Dockings (FCDs). While these costs are expected for the HMAS *Collins* FCD, it is expected that efficiencies gained by increased access to the diesels, generators and other systems will result in reduced FCD periods and reduced overall costs in the medium to long term. The ability to reduce the FCD period from three to two years will be reliant on conducting hull cuts during FCDs.
- (c) The two main areas of risk associated with cutting and re-welding the pressure hull are:

- (a) potential misalignment of the hull plating/frames when re-inserting the patch cut from the pressure hull, potentially reducing the depth at which the submarine hull would be able to operate; and
- (b) potential introduction of weld defects when re-welding that could lead to fatigue failure and cracking of the pressure hull.

Both of these risks are also present in the initial construction of a submarine hull, and there are well established and proven processes in place to minimise the likelihood such risks being realised. There is also extensive weld inspection, hull circularity checks and testing as part of this process to detect any potential defect in the unlikely event it should occur.

(d) Cutting of submarine pressure hulls, in support of docking level maintenance, has previously been carried out in Australia. This technique has previously been employed in two Oberon Class Refit dockings and in the first FCD of HMAS *Farncomb*. In 2012 advice from the US submarine builder General Dynamics - Electric Boat was sought on the benefits and risks of undertaking future hull cuts. General Dynamics - Electric Boat was supportive of undertaking hull cuts to improve production efficiency for Collins Class docking level maintenance.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q35: Coles Review

Senator Johnston provided in writing:

- (a) What is the likely total cost of implementing the recommendations of the Coles Review?
- (b) What is the likely time frame and cost for implementation of each of the 25 recommendations in the Coles Review?

Response:

(a) - (b) The Royal Australian Navy, Defence Material Organisation, the Department of Finance and Deregulation and the Australian Submarine Corporation have agreed to all recommendations and will work together in an enterprise based structure to implement the recommendations as quickly as possible.

- (i) A transformation board, comprising executives from members of the Submarine enterprise has been established to oversee delivery of the transformation and the transformation program manager has established a transformation delivery team drawing from all of the stakeholder organisations.
- (ii) A detailed transformation implementation plan will be endorsed by all parties before the end of the 100 day plan period, providing a solid route to improve the availability and cost effectiveness of the Collins Class over a three year timeframe.
- (iii) The transformation plan will ensure that individual projects which respond to each of the recommendations are properly resourced; project ownership and deliverables are understood; the best way to report deliverables and provide this information is agreed; and mechanisms for sharing knowledge and increasing the enterprise's ability to continuously improve are in place.
- (iv) The cost of implementation is estimated to be in the order of eight per cent of the annual Collins sustainment budget. These costs will be absorbed by reprioritising Defence and industry resources to support Collins submarine availability.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q36: Collins SLEP

Senator Johnston provided in writing:

(a) Noting the Submarine Life Evaluation Program has concluded, and its significance with respect to avoiding a capability gap, please provide the Committee with a copy of the Collins SLEP report (If the report cannot be provided to the Estimates Committee, please provide to the Legislation Committee as a confidential submission).

(b) It was stated by Mr Gould at the hearing that SLEP costs “do not deal with extending the [current] out of service state beyond that in the Collins Class”. What are the likely additional costs associated with extending the life another docking cycle?

Response:

- (a) The Collins Service Life Evaluation Program (SLEP) Report is classified. The report also contains Commercial-In-Confidence content in the form of pricing information provided by the Industry Participants and cannot be publicly released. Defence will provide a private briefing on the SLEP outcomes to the Legislative Committee, if required.
- (b) Analysis to refine the remediation options to fully identify the expected costs of a life extension is ongoing. Preliminary assessments suggested that sufficient funding existed to cover a life extension. Further analysis has revealed that sufficient sustainment and capital project funding does exist to address supportability issues out to the current Planned Withdrawal Dates (PWD) of the Collins Class. However, any life extension beyond these dates will require additional funding.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q37: Collins Combat System

Senator Johnston provided in writing.

(a) Noting we are in a joint program with the United States for development of the AN/BYG-1 Combat System and the Mk 48 CBASS weapon, what is the likely impact of sequestration on this program?

(b) Noting the changes to the AN/BYG-1 with the delivery of the Advanced Processor Build 16, what cost impact will this have? What plan is in place for this situation?

Response:

- (a) The application of sequestration measures within the United States Department of Defense continues to evolve. As yet, the savings measures to be applied to programs such as AN/BYG-1 and CBASS have yet to be defined. Given the wide range of possible measures that might be applied, Defence is currently unable to speculate on the likely impact of sequestration on the AN/BYG-1 and CBASS programs.
- (b) There is no Advanced Processor Build 16 for the AN/BYG-1. Should there be any cost and/or schedule impact associated with any future AN/BYG-1 build, Australia's close involvement with the Joint Program Office will ensure accurate information is available to develop contingency plans.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q38: Collins Class Submarine Combat System Priority Industry Capability Health Check

Senator Johnson provided in writing:

- (a) Please provide a copy of the series of Defence funded industry interviews/input reports which served as input to the Collins Class Submarine Combat System Priority Industry Capability Health Check.
- (b) Please provide a copy of the final Collins Class Submarine Combat System Priority Industry Capability Health Check Report that was presented to Minister Clare.
- (c) How much money has been spent on Industry with respect to the Collins Class Combat System Priority Industry Capability?

Response:

- (a) The industry interviews/input reports which served as input to the Collins Class Combat System Priority Industry Capability Health Check contain commercially confidential information collected by companies on the understanding that it would not be released publicly. Defence relies on this confidentiality being respected in order to obtain industry data.
- (b) The Collins Class Combat System Priority Industry Capability Health Check Report is classified Restricted given that, if compromised, the information it contains could hinder the operational effectiveness or security of Australian or allied forces on a limited basis. Health check reports provide a reasonably comprehensive assessment of the nature, size, location and vulnerabilities of the industrial capabilities on which Australia would most heavily depend during periods of significant confrontation or conflict. Although not all information contained within the reports is Restricted, such information might be used by countries not allied to Australia to complete their own forms of industrial capability analysis. For this reason, the reports are given a Restricted classification and are not released publicly.
- (c) The amount of money which has been spent on [Australian] Industry with respect to the Collins Class Combat System Priority Industry Capability can be divided into two streams, one dealing with the general sustainment of the combat system and the other dealing with grants received by Australian-based companies contributing to the system and paid through Defence's general industry support

programs covering the generic areas of industry skilling, innovation and market development.

In terms of industry support programs, Defence records indicate how grants from general industry support programs (eg. the Skilling Australia's Defence Industry Program - SADI, and Global Supply Chain Program - GSC), are distributed between companies. However, these records do not show how each company then distributes grant funds between individual Defence projects. Accordingly, where companies receiving grant funding work on a range of Defence projects, Departmental records do not enable the separate identification of grant funding used for the PIC.

Set out below are indicative figures on the relevant grant program and sustainment spends over recent years. Because grants program spend data that cannot be directly attributed to the PIC are excluded, the data may give a conservative estimate of the value of investment directed by Defence to Australian-based companies.

Industry Support Programs: The total for these programs for the PIC was \$272,371 spent by Defence between May 2012 and March 2013 under the Priority Industry Capability Innovation Program (PICIP) and directed to Cirrus RTPS Pty Ltd for commercialising technology that improves the tracking ability of Collins sensor/combat systems. The full value of the grant awarded to Cirrus was \$469,603, all of which is expected to be spent by June 2014.

Sustainment Budget: The PIC comprises a central combat management sub-system plus sonar, navigation, electronic warfare and communications sub-systems, as well as weapons handling and discharge sub-systems. The central combat management sub-system is based on the AN/BYG-1.

The amount of money spent on Industry with respect to the PIC varies from year to year depending on the level of programmed maintenance, the number of system upgrades and the amount of defect rectification and obsolescence treatment required during the year. The budget figures for 2012-13 provide an indication of the amount of money flowing to Australian industry to support systems covered by the PIC. In the order of \$70 million will be allocated to Australian industry during 2012-13 to maintain and upgrade systems covered by the PIC. Of this amount, in the order of \$30 million will be allocated to maintain and upgrade the core sub-systems within the PIC, namely Sonar and AN/BYG-1.

The estimates of Defence spend provided above do not include expenditure associated with jointly funded development programs between Australia and the United States (US) - the Armament Cooperation Project (ACP) program and associated Advance Processor Build (APB) program - which provide opportunities for companies in both countries to offer new technologies for the Collins combat system.

Further information in relation to the programs, including recent consideration by Defence of how best to invigorate Australian industry participation, can be provided to you through a private briefing. Australian industry participation in the combat system elements of the programs depends on the ability of Australian-based companies to offer products which meet an operational imperative and are of sufficient technical maturity to progress to implementation.

Defence has recently explored, or is in the process of exploring, the following: opportunities to better communicate to Australian defence industry the potential future technological requirements of the combat system; further consideration of how Australian industry might be assisted to bring indigenously designed products to levels of technical maturity commensurate with program requirements; and, scope at a Government-to-Government level for Australia to influence the direction in which the system evolves. The initiatives being examined by Defence for improving technology readiness levels of Australian-developed products aim to provide Australian industry with development opportunities similar to those of US based companies, noting that the overall development of the combat system is also influenced by activity outside the scope of the ACP and APB programs.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q39: Collins Combat System - Advanced Processor Build Program

Senator Johnston provided in writing:

How much money has been allocated in the forward estimates to assist “level the Intellectual property playing field” for Australian companies bidding capabilities into the advanced processor build program?

Response:

Defence intends to undertake a three pronged approach to supporting Australian companies bidding capabilities into the advanced processor build program:

- (a) Greater use of existing funding mechanisms for industry development, including improving technology readiness of Australian industry solutions e.g. the Capability Technology Demonstrator (CTD) and Rapid, Prototyping Development and Evaluation (RPDE) programs,
- (b) Utilising an element of AN/BYG-1 joint funding to support the development of Australian solutions that better meet APB priorities and improve technology readiness levels, and
- (c) Greater use of the Combat System Priority Industry Capability (PIC) framework to guide Commonwealth support for companies that have the potential to participate in collaborative development programs such as the AN/BYG-1 APB program.

It is not possible to determine the extent of funds required to “level the intellectual property playing field” as this would be dependent on the nature of the technology being offered to the Advanced Processor Build (APB) program.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q40: Future Submarines-Option 4

Senator Johnston provided in writing:

- (a) Noting that the standing up of the Option 4 Integrated Project Team seems to have been delayed, and noting the likely workload of the Integrated Project Team, is it still possible for the Integrated Project Team to be able to reach a considered conclusion to the required work inside the first-pass time window?
- (b) Is the purpose of the Option 4 Integrated Project Team to inform the Commonwealth on the possibility of designing a submarine or is it to produce an actual design for submission?
- (c) Noting option 4 is “A new design to meet the White Paper capability”, prior to first pass, has or does Defence intend to illicit alternate new design options so that a better understanding of the cost, schedule and risk can be obtained.
- (d) If option 4 makes it through first pass, does Defence intend to tender “new designs” from a variety of reputable submarine design houses?

Response:

- (a) Yes.
- (b) To produce actual concept designs for submission to Government and propose arrangements for their execution.
- (c) No.
- (d) This will be a decision for Government, depending on the outcome of the concept work.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q41: Future Submarines-General

Senator Johnston provided in writing.

It is understood that it is government policy to “assemble the future submarines in Adelaide”. Has Defence sought to inform government, providing cost differences between a local build of an overseas submarine and an overseas build of the same?

(a) If not, why not?

(b) If so, what is the cost differential (in percentage terms) between the overseas build and local build acquisition costs?

Response:

(a-b) Defence has not sought to provide cost differences between a local build of an overseas submarine and an overseas build of the same because the Government has publicly announced its commitment to assemble future submarines in South Australia. This commitment was restated in the 2013 White Paper released on 3 May 2013.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q42: Future Submarines-General

Senator Johnston provided in writing.

How many RAN submariners have been to sea on other countries' conventional submarines since the announcement of the future submarine project in the 2009 Defence White Paper? Which countries?

Response:

Since the announcement of the Future Submarine project in the 2009 Defence White Paper, three RAN submarine officers have been to sea in German U212A class submarines (two in 2010 and one in 2011). This is in addition to the four submarine officers who have been to sea in Dutch Walrus class submarines while undertaking the Submarine Command Course.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates – 13 February 2013

Q43: Future Submarines-General

Senator Johnston provided in writing.

It is noted in QoN 20 (Senator Ludlum) of last Estimates that you have allocated \$30.9 million to the acquisition of broader Collins Class submarine IP rights.

(a) What is the rationale for such a pre-first or second pass expenditure?

Response:

- (a) The Government announced through the 2013 Defence White Paper that one of two options for the future submarine to be considered by Government is an evolved Collins Class submarine-design.

To provide Government with the appropriate level of information on which to make an informed decision, Australia had to first negotiate the Collins Class intellectual property (IP) with Sweden, who is the sovereign owner of the IP.

On 16 May 2013 the Government announced that Australia and Sweden has reached agreement in relation to IP rights.

The cost associated with securing the IP rights is commercially sensitive. An appropriate amount has been budgeted in the future submarine program.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q44: Future Submarines – Combat System

Senator Johnston provided in writing.

Can you clarify if a legally/commercially binding decision can be made on the future submarine's combat system before we know what submarine platform we are getting?

(a) If “yes” please describe the nature of the likely commitment.

Response:

Yes. Early selection of the combat system has been shown to yield considerable benefit to program development in many submarine programs globally, including in those of the United Kingdom (Successor), the United States (Ohio replacement) and France (Barracuda).

(a) Any commitment is likely to be a combat system program, managed via an Intellectual Property (IP) ownership structure based on and incorporating a development program which releases rolling upgrades.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates Hearing – 13 February 2013

Q45: Future Submarines-Combat System

Senator Johnston provided in writing.

(a) During the hearing RADM Moffitt stated that the AN/BYG-1 would be used as the reference combat system for Option's 3 and 4 of the futures submarine program. The rationale for this is understood, however it would seem that there are other components of a combat or mission system, not just the "combat data management part", that would be expected to have a greater impact on the design elements of the submarine, e.g. the types, number, size, weight of sonar arrays; the number, type of and hoisting arrangements for the masts; etc.

- (i) What are the intentions for defining and advising the IPT 'design teams' of these components ?
- (ii) What has the project team done to obtain the data, of suitable fidelity, to make informed decisions (this means an understanding of the cost and capability) on this equipment ?
- (iii) How has the project secured information on the future technologies ?
- (iv) How will this information be distributed to Integrated Project Team members, noting many of the Integrated Project Team members will be coming from and return to potentially competing commercial entities.

(b) RADM Moffitt stated "assuming that we can also get sufficient data—interface data, size, weight, space, cooling, electricity, budgets and that sort of data on the peripheral systems that are indicative for the purposes of doing the concept design work".

- (i) Is there a concern that this data cannot be obtained ?
- (ii) Why would this data not be available ?
- (iii) How much of an impact will the absence of this data have on the quality and validity of the resultant cost, risk, schedule and capability profile that is then used as the basis for making a decision regarding the platform ?

(c) Noting that "the more critical consideration really is the fact that the combat system in some part is tailored to the mission requirements of the submarine":

- (i) Have the Mission requirements of the platform been advised to industry to enable them to address this "critical consideration" and propose what they believe is the best solution for Australia ? If yes, how ?
- (ii) Is Australia really a co-owner of the AN/BYG-1? Is it possible to provide Australian Industry elements of our co-owned system and implement AUSTEO capability enhancement to combat systems such as Atlas Elektronik's ISUS-90, DCNS' SUBTICS or Lockheed Martin's SUBICS. What are the boundaries to the statement made by RADM Moffitt ?

Response:

(a)

(i) Our intention is to use the US combat system elements as the basis, with sensors to be developed through trade studies to ascertain what will best meet our top level requirements. Trade studies provide an assessment of Defence's requirements and all commercially available solutions and how they interface with the platform.

(ii) The project has been engaged with the US Government in seeking this data for US combat system elements that would be suitable for concept design. It is envisaged this data would be provided under a similar agreement that currently exists for the Air Warfare Destroyer program for the supply of AEGIS data.

(iii) Trade studies will be conducted by DSTO at the request of the Integrated Project Team (IPT). Baseline technical knowledge is part of the maintenance of current technical expertise for DSTO specialists.

(iv) IPT members are subject to legally binding Non Disclosure Agreements.

(b)

(i) No.

(ii) Not applicable.

(iii) Not applicable.

(c)

(i) No.

(ii) Yes, we are co-owners of the AN/BYG-1. No, due to IP constraints and the need for all partners to agree to third party distribution of jointly developed data.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE—COMMITTEES

Senate Additional Estimates – 13 February 2013

Q46: Armidale-class fleet

Senator Ian MacDonald providing in writing:

- (a) Where are the Royal Australian Navy's Armidale-Class vessels currently home ported?
- (b) At what location/base is maintenance on the Armidale-class fleet conducted?
- (c) How many sea days did the Armidale-class fleet deliver in 2011/12?
- (d) How many sea days are budgeted/expected for the Armidale-class fleet in 2012/13?

Response:

- (a): The Royal Australian Navy's Armidale-class vessels are currently home ported in Darwin (10) and Cairns (4).
- (b): The primary locations/bases at which maintenance is conducted on the Armidale Fleet are Darwin and Cairns. However, maintenance has also been undertaken at Henderson in Western Australia, Brisbane and Sydney. There might also be occasions where operational defects occur which require repair close to where the Armidale-class is operating; for example Christmas Island and Singapore.
- (c): The number of sea days delivered by the Armidale-class fleet in 2011–12 was 2448 days.
- (d): The number of sea days that are budgeted and expected for the Armidale-class fleet in 2012–13 is 3400.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE—COMMITTEES

Senate Additional Estimates

Q46: Armidale-class fleet

Senator Ian MacDonald asked in writing on 25 February 2013:

- a. Where are the Royal Australian Navy's Armidale-Class vessels currently home ported?
- b. At what location/base is maintenance on the Armidale-class fleet conducted?
- c. How many sea days did the Armidale-class fleet deliver in 2011/12?
- d. How many sea days are budgeted/expected for the Armidale-class fleet in 2012/13?

Response:

(a): The Royal Australian Navy's Armidale-class vessels are currently home ported in Darwin (10) and Cairns (4).

(b): The primary locations/bases at which maintenance is conducted on the Armidale Fleet are Darwin and Cairns. However, maintenance has also been undertaken at Henderson in Western Australia, Brisbane and Sydney. There might also be occasions where operational defects occur which require repair close to where the Armidale-class is operating; for example Christmas Island and Singapore.

(c): The number of sea days delivered by the Armidale-class fleet in (FY) 2011–12 was 2448 days.

(d): The number of sea days that are budgeted/expected for the Armidale-class fleet in (FY) 2012–13 is 3200.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Budget Estimates – 13 February 2013

Q47: Defence Indigenous Development Program

Senator Macdonald provided in writing on 25 February 2013.

- (a) Is the Defence Indigenous Development Program conducting courses in 2013?
- (b) How many students/cadets are enrolled in the 2013 program?
- (c) What is the funding allocation for the 2013 program?
- (d) What is the location at which the residential component of the program is taking place?

Response:

- (a) Yes. The Defence Indigenous Development Program will run in Queensland and Northern Territory in 2013.
- (b) At present, there are no students/cadets formally enrolled in the Defence Indigenous Development Program. Defence has assessed applications for the 2013 program and prospective participants are currently undergoing a two week assessment period in Cairns and Darwin to determine their suitability for the Program.
- (c) Funding for the 2012-13 Program is \$6.174m. The current projected funding allocation for 2013-14 is \$6.374m.
- (d) Planning for the residential component of the program is yet to be finalised. Defence is planning for a program to be conducted in Cairns in northern Queensland and Katherine in the Northern Territory.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Budget Estimates – 13 February 2013

Q48: Battalion Personnel

Senator Macdonald provided in writing:

- a. How many uniformed personnel were employed in the Australian Army in 2011/12?
- b. How many uniformed personnel are employed in the Australian Army in 2012/13?
- c. How many uniformed personnel are projected to be employed in the Australian Army in 2013/14?
- d. Will there be any personnel cutbacks or job losses in the ADF (non-aps staff) generally?
- e. Will there be any personnel cutbacks or job losses in 3rd brigade (non-aps staff) specifically
- f. How many Battalions are budgeted/will be funded in the Australian Army in 2013/14?

Response:

- (a) - (c) The below table reflects the Army strength as at 1 January of each year:

	2011	2012	2013
Australian Regular Army	29,130	28,423	28,600
Army Reserve	16,075	16,588	16,500
Continuous Full Time Service	611	438	660
Gap Year	239	110	0
Total:	46,055	45,559	45,760

- (d) and (e) There are no cutback or job losses planned for the Army. Actual personnel numbers in locations may fluctuate based on Army's Force Generation Cycle and individual circumstances as they arise.
- (f) Individual Units are not funded, rather the personnel who work in the units are funded. The Army has no plans to reduce or increase the number of Battalions and therefore there will be 17 Australian Regular Army Battalions and 19 Army Reserve Battalions for FY 2013/14.

Please note the above excludes The Royal Australian Armoured Corps, The Royal Regiment of Australian Artillery, The Royal Australian Engineers, The Royal Australian Corps of Signals, Special Forces, Training Centres, or the Combat Training Centre, which constitute approximately 50 Australian Regular Army and 13 Army Reserve Regiments, plus a number of Direct Combat Units of Squadron/Battery size.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 17 February 2013

Q49: 3rd Brigade Personnel Discharges

Senator Macdonald provided in writing on 25 February 2013:

- a. What is the current total number of personnel serving in 3rd Brigade;
- b. How many discharges have been lodged/finalised so far for 3rd Brigade in 2012/13;
- c. How many discharges were lodged/finalised for 3rd Brigade in 2011/12;
- d. What is the current total number of personnel serving in 1RAR, 2RAR, 3RAR and 6RAR respectively;
- e. How many discharges have been lodged/finalised for each battalion (1RAR, 2RAR, 3RAR and 6RAR) so far in 2012/13;
- f. How many discharges were lodged/finalised for each battalion (1RAR, 2RAR, 3RAR and 6RAR) in 2011/12;
- g. What are the recognised categories of discharge (e.g., medical, disciplinary);
- h. What is the break-down across these categories of the total 3rd Brigade discharges for 2011/12; and
- i. What was the total number of discharges from 3rd Brigade for 2007/08, 2008/09, 2009/10, and 2010/11.

Response:

(a) As at 1 January 2013, the total number of personnel in the 3rd Brigade was 3577.

(b) and (c) All separations are centrally managed and coordinated by Army. Army does not maintain or report on discharge statistics for individual units, Brigades or locations.

Even if discharge statistics were maintained for each Brigade, they would be incomparable between successive financial years as the national-level separation behaviour can be affected by recruiting and retention initiatives. At the Brigade-level, separation rates can be affected by posting, promotion, deployment and exercise cycles, along with external environmental factors.

(d) As at 1 January 2013, the number of personnel serving in 1 RAR, 2 RAR, 3 RAR and 6 RAR was:

1 RAR: 642

2 RAR: 623

3 RAR: 616

6 RAR: 563 (Please note that 6 RAR is not a unit of the 3rd Brigade).

(e) and (f) Army does not maintain or report on discharge statistics for individual units, Brigades or locations, including 1 RAR, 2 RAR, 3 RAR or 6 RAR. Furthermore, even if maintained, discharges cannot necessarily be attributed to the unit at which the separation

actually occurs. This is because the decision to separate may be made in a different location or unit to where the actual separation eventually occurs. Attribution of a separation to a particular unit would therefore provide an incorrect assessment of separations.

(g) The categories of discharge recognised in the Defence Human Resource system (Personnel Management Key Solutions – PMKeyS) include:

(i) Voluntary categories:

- Resignation
- Within 90 days of enlistment
- Contract completed
- Voluntary redundancy
- Service transfer

(ii) Involuntary categories:

- False statement on enlistment
- Retention not in service interest
- Unsuitable for military service
- Civil offence
- Death
- Disciplinary
- In absence
- Training failure
- Below fitness standard
- Compulsory retirement age
- Medically unfit for service
- Management initiated early retirement

(h) Please see response to question 'c'. These figures are available at the aggregated Army-level, but are not maintained for each Brigade.

(i) Please see response to questions 'c' and 'h'.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q50: 3rd Brigade Personnel Discharges

Senator Macdonald provided in writing:

- (a) For each year – from 2007/08 to 2011/12 – how many discharging personnel were provided transitioning services?
- (b) For each year – from 2007/08 to 2011/12 – what percentage of discharging personnel have since been contacted, and on how many occasions have they been contacted, to audit their transition back into civilian life?
- (c) For each year – from 2007/08 to 2011/12 – how many discharging personnel had exceeded their four-year regimental service obligation?

Response:

(a) All discharging personnel are required to attend a Transition Centre prior to discharge. Transition services are provided to any member separating except for those absent without leave. The number of 3rd Brigade personnel undergoing transition services cannot be provided as Army separations are centrally managed.

(b) Twice a year, the Defence Community Organisation conducts the ADF Post Separation Survey. Each time, all members who separated during a pre-determined three month period, and provided Defence with a personal email address upon separation, are invited to respond. Responses to the survey are completely anonymous, and as such there is no mechanism for identifying 3rd Brigade personnel from these responses.

(c) The Regimental service obligation differs depending on the Employment Category. For some Categories the obligation exceeds six years. The table below shows the number of personnel across Army who discharged after having completed the particular obligation for their Employment Category.

Discharging personnel who had exceeded their Initial Minimum Period of Service (IMPS)

	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12
4 year obligation	1355	1304	910	1184	1864
6/7 year obligation	253	295	153	226	281
Total	1608	1599	1063	1410	2145

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q51: Mortar Platoon

Senator Macdonald provided in writing:

- a. How many high explosive training rounds were provided to each ADF Mortar Platoon in 2011/12?
- b. How many high explosive training rounds are being provided to each ADF Mortar Platoon in 2012/13?
- c. How many high explosive training rounds will be provided to each ADF Mortar Platoon in 2013/14?

Response:

(a)-(c) The table below provides the breakdown of the number of high explosive (HE) and practice (PRAC) mortar rounds provided to each mortar platoon for training. The mortar practice round, first introduced in 2011/12, is substituted for high explosive rounds with no detriment to the training of mortar crews or observers. The practice round is a less expensive option that has enabled Army to increase the number of rounds fired in training.

Unit Name	2011/2012			2012/2013			2013/2014		
	HE	PRAC	Total	HE	PRAC	Total	HE	PRAC	Total
1st Battalion, The Royal Australian Regiment	876	1,284	2,160	70	2,822	2,892	1,040	307	1,347
1st Regiment, Royal Regiment of Australian Artillery		144	144			-			-
16th Air Land Regiment			-		65	65		65	65
16th Field Battery		100	100			-			-
2nd Commando Regiment	4,275	1,697	5,972	1,750	4,000	5,750	1,750	4,000	5,750
2nd Battalion, The Royal Australian Regiment	1,150	384	1,534	67	1,728	1,795	1,600	307	1,907
2nd/10th Field Regiment		445	445		663	663		470	470
25th/49th Battalion, The Royal Queensland Regiment			-		660	660			-
3rd Battalion, The Royal Australian Regiment		900	900	67	921	988	1,400	307	1,707
4th/3rd Battalion, The Royal New South Wales Regiment			-		207	207			-
48th Field Battery		346	346		150	150			-
5th Battalion, The Royal Australian Regiment			-	1,972		1,972	92	1,428	1,520
6th Battalion, The Royal Australian Regiment	1,164	728	1,892	182	2,428	2,610	68	586	654
7th Field Battery, 3rd Field Regiment		50	50			-			-
7th Battalion, The Royal Australian Regiment	48	1,314	1,362	1,500		1,500	90	1,000	1,090
8th/9th Battalion, The Royal Australian Regiment	350		350			-	68	728	796
1st Division	322		322	443		443	296	400	696
Headquarters 5th Brigade			-		453	453			-
Headquarters 7th Brigade			-			-		528	528
Headquarters 9th Brigade			-		660	660			-
School of Armour			-	60		60			-
School of Artillery	630	5,232	5,862	642	5,508	6,150	642	5,508	6,150
Grand Total	8,815	12,624	21,439	6,753	20,265	27,018	7,046	15,634	22,680*

* For FY 2013/14 there is still approximately 3700 PRAC rounds available to Commands that have not yet been allocated to Units.

UNCLASSIFIED

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q52: Air Mobility Control Centre (AMCC)

Senator Ian Macdonald provided in writing.

- a. What were the deliverables for flying hours for the AMCC aircraft fleet flown out of Richmond for the 2011/12 financial year?
- b. What are the deliverables for flying hours for the AMCC aircraft fleet flown out of Richmond for the 2012/13 financial year?
- c. What were the actual flying hours across the AMCC fleet out of Richmond for 2011/12?
- d. What are the actual estimated flying hours across the AMCC fleet out of Richmond for 2012/13?

Response:

The Air Mobility Control Centre (AMCC) is the unit responsible for tasking the air mobility fleet excluding: (i) aircraft assigned to an operational theatre, and (ii) the Special Purpose Aircraft fleet operated by Number 34 Squadron. For those aircraft it is responsible for, the AMCC directs the tasking of aircraft for the conduct of both training and operations.

(a) The actual achieved flying hours attributed to AMCC tasked aircraft for Financial Year 2011/12 are:

- C-17A – 4005.9 hours
- KA-350 – 4849 hours
- C-130J – 8425.5 hours

(b) As at 31 January 2013, the actual achieved flying hours attributed to AMCC tasked aircraft for Financial Year 2012/13 are:

- KC-30A – 974 hours
- C-17A – 1842.5 hours
- KA-350 – 2451.4 hours
- C-130J – 2785.1 hours

(c) The actual flying hours for Financial Year 2011/12 for those aircraft based at RAAF Base Richmond and tasked by the AMCC are:

C-130J – 8425.5 hours

(d) As at 31 January 2013, the flying hours for Financial Year 2012/13 for those aircraft based at RAAF Base Richmond and tasked by the AMCC are:

C-130J – 2785.1 hours

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Estimates Hearing – 13 February 2013

Q53: Hammerhead Crane

Senator Macdonald provided in writing.

- (a) Will the Commonwealth seek advice from NSW Environment and Heritage as part of its public consultation process into the removal of the Hammerhead Crane?
- (b) What are the strategic and/or capability-based reasons for the proposed removal of the crane?
- (c) What commercial and tourism-related issues have been raised?

Response:

(a) Public consultation was conducted in accordance with Sections 95A and 95B of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) which affords all interested parties appropriate notice on the proposed action including through public notices in newspapers. The public consultation period commenced on Monday 21 January 2013 and concluded on Monday 18 February. The Commonwealth will not seek advice from individual stakeholders outside of the the official EPBC Act public consultation process approved by the Department of Sustainability, Environment, Water, Population and Communities.

b) Berthing arrangements at Fleet Base East are currently constrained by safety limitations imposed around the Hammerhead Crane, which has increased berthing demands at other wharves. The presence of the crane on the wharf where the Royal Australian Navy's new Landing Helicopter Dock ships need to berth after their arrival commencing in 2014 will impose added restrictions on the Navy's berthing capacity and flexibility to accommodate larger ships at Fleet Base East.

(c) Defence is currently analysing and considering the issues raised within the public submissions. Defence will address these comments in a *Public Consultation Summary and Response Report* which is currently being drafted. This report will be submitted to the Department for Sustainability, Environment, Water, Population and Communities in April 2013 and will be made publicly available shortly after.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Budget Estimates Hearing – 13 February 2013

Q54: RAAF Base Williamtown

Senator Macdonald provided in writing.

We draw your attention to answers to written questions (Question on Notice No. 94) from Senate Budget Estimates, May 2012. The department has provided advice in the stated answer to the effect that it has a groundwater monitoring program in place at RAAF Base Williamtown, which includes the sewage treatment plant site, and that the results of this program are provided to Hunter Water Corporation. The department also advised that it has no concerns about failure of the existing sewage treatment facility at RAAF Base Williamtown. The department also advised that the RAAF Base Williamtown Redevelopment Stage 2 project, estimated at \$275 million, has been delayed by two years as part of the realignment of the Major Capital Facilities Program.

- (a) Has work commenced on RAAF Base Williamtown Redevelopment Stage 2?
- (b) Has the \$275 million estimated cost of the RAAF Base Williamtown Redevelopment Stage 2 been appropriated and/or allocated to the project?
- (c) Has the original scope of the project been altered?
- (d) Have tenders been called for/awarded?
- (e) What is the current timeline for commencement and completion of the project?
- (f) Can the department stipulate to there being no threat of failure of the systems at the RAAF Williamtown sewage treatment plant, and no threat of contamination to the local ground water, or the Hunter Water system or the Tomago Aquifer?

Response:

- (a) Work has not yet commenced on the RAAF Base Williamtown Redevelopment Stage 2 project, as the project has not yet been presented to Government and Parliament for approval. Current planning is to present the project to Government and Parliament in mid and late 2014 respectively.
- (b) The Major Capital Facilities Program includes a program provision of \$275 million (excluding Goods and Services Tax (GST), out-turned) for the RAAF Base Williamtown Redevelopment Stage 2 project.

- (c) Through Defence's project development model, project scope is refined through business case development. For RAAF Base Williamtown Redevelopment Stage 2 the project scope has evolved from inception of the project to focus on priority capability outcomes, presented in a detailed business case and considered by the Defence Estate Committee.

A major scope item originally included in the RAAF Base Williamtown Redevelopment Stage 2 project was connection of the base to Hunter Water Corporation's Williamtown Wastewater Transfer Scheme (the Scheme) and decommissioning of the base sewage treatment facility. The Scheme continues to be progressed by the Hunter Water Corporation and is currently scheduled for completion in late 2013.

- (d) A Managing Contractor was engaged by Defence in March 2011 to undertake planning phase activities for the RAAF Base Williamtown Redevelopment Stage 2 project. Subject to gaining Government and Parliamentary approvals of the RAAF Base Williamtown Redevelopment Stage 2 project, and award of the delivery phase activities to the Managing Contractor, the Managing Contractor will then complete the detailed design and commence procurement of the trade packages from mid 2015.
- (e) The RAAF Base Williamtown Redevelopment Stage 2 project achieved 50% design completion in July 2012. Government and Parliamentary approvals of the project are anticipated in mid and late 2014 respectively. The finalisation of project design is scheduled for mid 2015, along with the procurement of early works trade packages. Major construction activities for the RAAF Base Williamtown Redevelopment Stage 2 works are then scheduled to commence in late 2015, with all works completed in mid 2020.
- (f) RAAF Base Williamtown sewage treatment facility is operating in accordance with its operational performance specification. The effluent discharge quality is comparable with municipal secondary sewage treatment plants. Defence monitors groundwater quality at the Sewage Treatment Plant. Where testing reveals contaminants in excess of guideline values Defence investigates and instigates the necessary management actions. Test results to date have confirmed there is not an unacceptable risk to human health or the environment from the operation of the Sewage Treatment Plant. The results of the groundwater monitoring are provided to Hunter Water Corporation. Defence continues to regularly engage with Hunter Water Corporation regarding the water quality of the Tomago aquifer.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q55: Bulimba Barracks

Senator Ian Macdonald provided in writing on 25 February 2013:

- a. What are the Defence units at Bulimba Barracks?
- b. What activities are regularly or intermittently undertaken there?
- c. What is stored there and are those items stored under cover or in the open?
- d. For what purpose and for what Defence facilities are these items in storage?
- e. What is the total area of the site?
- f. What if any marine craft or ships use the site and is such usage permanent or temporary/as visitors?
- g. In the last two financial years how many and what class of ships or marine craft docked there or used the facilities or were reprovisioned from there and what was the nature of the usage in each case?
- h. How many personnel work at the site giving details of civilian and uniformed and the purpose of the work undertaken?
- i. Do any personnel live on site and if so please advise numbers and type of accommodation?
- j. What accommodation facilities are unused?
- k. Please advise details of usage by cadet units, and extent of that usage?
- l. In the last two full financial years, what was the cost of security, what was the security, what was spent on maintenance?
- m. What maintenance is known to be required but is as yet as yet undone?
- n. What is the forward schedule for maintenance and the timelines and estimated costs?

Response:

(a) (b) (h)

Unit	Number of Personnel	Activities
Joint Logistics Unit (South Queensland (JLU(SQ))), including contract logistics service provider – BAE Systems	207 (8 Uniformed, 70 Australian Public Service (APS) and 129 Contractors.	JLU (SQ) has its Headquarters, logistics planning and administration located at Bulimba Barracks. It is also the primary site for the conduct of Land Materiel Maintenance by BAE systems.
1 Commando Regiment (1 CDO REGT) detachment	7 uniformed personnel	1 CDO Regt recruit and maintain a pool of suitably qualified Special Forces and Specialist personnel to supplement, reinforce or augment Special Operations Units.
Navy Headquarters – South Queensland (NHQ-SQ), including Australian Navy Reserve Dive Team Eight, RAN Band Detachment Queensland, Navy Reserve Regional Career Management Cell	24	The Navy Headquarters is the Headquarters element for South Queensland with administrative responsibility for approximately 160 Permanent Navy, 665 Active Navy Reserve and 400 Inactive Navy Reserve personnel posted or located in Queensland south of the Tropic of Capricorn.

(c) Vehicles and maintenance equipment are stored both under cover and uncovered.

(d) Joint Logistics Unit holds vehicles and equipment at Bulimba Barracks for the purposes of conducting deeper level repair and routine maintenance in support of Defence units. There is also a quantity of stock held in warehouses that Defence units use to conduct training activities and deployments both overseas and in Australia for activities such as flood relief.

With respect to the Navy Headquarters – South Queensland, stored equipment is required for the RAN Band Detachment and the Reserve Dive Team. Vehicles are used for everyday business, transporting band and Dive Team equipment, movement of stores, unloading and loading vehicles, supporting ship visits, calling on Navy personnel at numerous locations around south Queensland, ceremonial and representational duties. Boats are used in support of diving and Cadets.

(e) 23.5 hectares.

(f) The site has a combined pontoon and wharf which is used as a berth by visiting RAN and foreign warships as required.

(g) Ship Visits to Brisbane berthed at Bulimba Barracks Navy Headquarters – South Queensland 01 Jul 2010 Dec 2012:

Unit	Class	Origin	Arrival	Departure	Reason for Visit
STS Young Endeavour	Sail	Aus	23 Mar 11	27 Mar 11	Change Youth crew, replenish food, water and fuel as required.
MSA Wallaroo	Tug	Aus	14 Apr 11	29 Apr 11	Port Visit to Brisbane. Dispatch and receipt of stores if required. Replenish food, water and fuel as required.
STS Young Endeavour	Sail	Aus	28 Apr 11	05 May 11	Change Youth crew, replenish food, water and fuel as required.
HMAS Wollongong	Armidale Class Patrol Boat (ACPB)	Aus	20 May 11	23 May 11	Port Visit to Brisbane. Dispatch and receipt of stores if required. Replenish food, water and fuel as required.
MSA Wallaroo	Tug	Aus	15 Jul 11	02 Aug 11	Port Visit to Brisbane. Dispatch and receipt of stores if required. Replenish food, water and fuel as required.
STS Young Endeavour	Sail	Aus	22 Aug 11	26 Aug 11	Change Youth crew, replenish food, water and fuel as required.
STS Young Endeavour	Sail	Aus	03 Sep 11	09 Sep 11	Change Youth crew, replenish food, water and fuel as required.
STS Young Endeavour	Sail	Aus	01 Oct 11	06 Oct 11	Change Youth crew, replenish food, water and fuel as required.
HMAS Wewak	Landing Craft Heavy	Aus	14 Oct 11	19 Oct 11	Port Visit to Brisbane. Dispatch and receipt of stores if required. Replenish food, water and fuel as required.
HMAS Bundaberg	ACPB	Aus	25 Oct 11	29 Oct 11	Port Visit to Brisbane. Dispatch and receipt of stores if required. Replenish food, water and fuel as required.

STS Young Endeavour	Sail	Aus	02 Apr 12	06 Apr 12	Change Youth crew, replenish food, water and fuel as required.
STS Young Endeavour	Sail	Aus	23 Aug 12	28 Aug 12	Change Youth crew, replenish food, water and fuel as required.

UNCLASSIFIED

(i) No personnel permanently live in accommodation at Bulimba Barracks. Some accommodation is used regularly as transit accommodation for ADF, Cadet activities and small Army exercises.

(j) None.

(k) Bulimba Barracks supports three Cadet units that conduct training at Bulimba Barracks on a weekly basis:

- Navy TS GAYUNDAH,
- Army 2nd Army Cadet Unit, and
- Air Force 161 ACU Aviation.

(l) Security costs for the period 1 July 2010 to 30 June 2012 was approximately \$1.7 million. This is a scheduled cost under the terms of the regional Base Services Contract.

Security services included managing access control services, reception services, issue and receipt of security cards and passes to contractors, asset surveillance including patrolling, and providing security communications network and key control services.

Total maintenance costs for the period 1 July 2010 to 30 June 2012 were approximately \$2.9 million.

(m – n) The Defence Infrastructure Appraisal process has identified approximately \$625,000 of scheduled maintenance work for the three-year period from 2013-14 to 2015-16. \$90,000 of this work has been funded based on the application of Defence's estate risk management framework. The remaining \$535,000 of this work is to upgrade items which are still functioning and have been rated low priority and non-urgent. This maintenance includes items such as roof repairs, road repairs and internal repainting and refurbishment of stairs and railings and will be completed as funding becomes available.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Budget Estimates Hearing – 13 February 2013

Q56: St Hilliers

Senator Ian MacDonald asked in writing on 13 February 2013:

- a. Do any St Hilliers sub contractors remain to be paid;
- b. How many Defence projects are St Hilliers currently engaged on;
- c. What is the value of these projects;
- d. How many Defence estate/base construction projects are currently in progress in total (St Hilliers and other); and
- e. What is the value of these projects.

Response:

- a. St Hilliers has advised that sub-contractors have been paid all monies due and payable on Defence projects. Defence is not aware of the status of payments to their sub-contractors on non-Defence projects.
- b. St Hilliers is currently engaged on four Defence projects: Redevelopment of Greenbank and Wide Bay Training Areas; the Technical Training Wing works at Simpson Barracks; and the Maintenance Training Facilities at North Bandiana.
- c. St Hilliers's Head Contracts with Defence are currently valued at \$177.444 million.
- d. There are 93 approved capital works projects for Defence currently in progress as part of the major capital facilities program.
- e. The overall value of these approved projects is around \$7.2 billion for construction out to 2016.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q57: DHAAT VC Inquiry

Senator Ian MacDonald provided in writing on 25 February 2013:

DHAAT completed its inquiry – Unresolved Recognition for Past Acts of Naval and Military Gallantry and Valour in July 2012.

Can the Minister indicate when he expects the Inquiry panel to report?

Response:

In July 2012 the Parliamentary Secretary for Defence, Senator the Hon David Feeney, made it known to the general public through a media release that the Defence Honours and Awards Appeals Tribunal had completed its public hearings for the *Inquiry into unresolved recognition for past acts of naval and military gallantry and valour*.

This was, however, not the end of the Inquiry. Following the completion of public hearings, the Tribunal continued to deliberate and undertake further research.

On 6 February 2013, the Tribunal presented its completed report to Senator Feeney. On 1 March 2013, Senator Feeney announced that the Government had accepted the six recommendations made by the Tribunal in its report. The report was made available to the public on the same day through the Tribunal's website (www.defence-honours-tribunal.gov.au).

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Additional Senate Estimates – 13 February 2013

Q58: TS Carpentaria

Senator Ian MacDonald provided in writing:

- a. What is the funding position of *TS Carpentaria* at this time?
- b. How many cadet instructors are currently employed (paid) at *TS Carpentaria*?
- c. How many volunteer cadet instructors are currently working (unpaid) at *TS Carpentaria*?

Response:

- a. Funding through the Director General Australian Navy Cadets (DGANC) budget enables *TS Carpentaria* to arrange and manage its activities appropriately. DGANC staff provide financial governance and oversight to ensure *Financial Management and Accountability Act* responsibilities are satisfied. DGANC supports all 88 ANC Training Ships (TS) in this manner. *TS Carpentaria* belongs to the North Queensland Flotilla, which is a group of 6 ANC TS. The North Queensland Flotilla currently has funding of \$22,669 available within a budgeted amount of \$30,000 for Financial Year 2012/13.
- b. *TS Carpentaria* has one staff member (Officer) at this time. Every effort is being made to increase staff numbers for *TS Carpentaria*.
- c. *TS Carpentaria* currently has no approved volunteer staff at this time. A recently received application is being processed. When complete this person will be known as a *TS Carpentaria* Unit Support Volunteer.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q59: Cadet Staff Allowances

Senator Macdonald asked in writing:

- (a) Has the 30% cut to Cadet Staff Allowances been implemented?
- (b) What were the uniform and transport allowances for Cadet Staff in 2011/12?
- (c) What are the uniform and transport allowances for Cadet Staff in 2012/13?
- (d) What are the budgeted uniform and transport allowances for Cadet Staff in 2013/14?
- (e) How many Cadet Units have been forced to amalgamate or close so far?

Response:

- (a) There has been no cut to Cadet Forces Allowance (CFA) for Officers of Cadets (OOC) and Instructors of Cadets (IOC) in the Australian Navy Cadets (ANC), or for OOC and IOC in the Australian Air Force Cadets (AAFC). They continue to be entitled to CFA for up to 48 days per annum.

The CFA allocation for OOC and IOC in the Australian Army Cadets (AAC) was reduced by 30 per cent for the period 1 July 2012 to 24 March 2013. This capped the number of days for AAC OOC and IOC members at 33.5, rather than the previous 48 day limit. With effect from 25 March 2013, the cap for the financial year 2012-13 has been increased to 40 days.

Only 28 per cent of OOC and IOC in AAC claimed more than 40 days CFA in the financial year 2011-12.

(b)

Navy

- ANC IOC and OOC are not entitled to uniform allowances.
- Uniforms are issued to ANC IOC and OOC through the Defence system.
- ANC IOC and OOC are entitled to Travel Allowance (TA), including meals and incidentals, when undertaking ANC approved duties. In the financial year 2011-12, \$81,757.75 was expended on TA for ANC IOC and OOC.

Army

- AAC IOC and OOC are not entitled to uniform allowances.
- Uniforms are issued through the Defence system.
- AAC IOC and OOC are entitled to TA, including meals and incidentals, when attending directed activities. In the financial year 2011-12, \$49,714.36 was expended on TA for AAC IOC and OOC.

Air Force

- AAFC IOC and OOC are not entitled to uniform allowances.
- Uniforms are issued through the Defence system.
- AAFC IOC and OOC are entitled to TA, including meals and incidentals, when attending directed activities. In the financial year 2011-12, \$79,000 was expended on TA for AAFC IOC and OOC.

(c)

Navy

- ANC IOC and OOC are not entitled to uniform allowances.
- In the financial year 2012-13, the ANC budget for TA is \$135,000.

Army

- AAC IOC and OOC are not entitled to uniform allowances.
- In the financial year 2012-13, the AAC budget for TA is \$40,000. It should be noted that travel allowance is not separately budgeted and is part of the overall travel bid made by the AAC.

Air Force

- AAFC IOC and OOC are not entitled to uniform allowances.
- In the financial year 2012-13, the AAFC budget for TA is \$53,000.

(d)

Navy

- ANC IOC and OOC are not entitled to uniform allowances.
- The budget for the financial year 2013-14 is not yet known.

Army

- AAC IOC and OOC are not entitled to uniform allowances.
- The budget for the financial year 2013-14 is not yet known.

Air Force

- AAFC IOC and OOC are not entitled to uniform allowances.
- The budget for the financial year 2013-14 is not yet known. Regardless of the budget allocated to the AAC, travel allowances for cadet staff are not separately budgeted; rather, they are included in the travel allowances for the whole of the AAC organisation including ADF personnel and APS employees.

(e) No Cadet units have been forced to amalgamate or close and there are no planned amalgamations or closures.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q60: Northern Exercises

Senator Macdonald provided in writing.

- (a) Will the Australian Defence Force be conducting a program of exercises in the North and West of Australia to enhance protective capabilities for the resources and minerals sector;
- (b) What are the criteria/priorities for identifying areas that require protection;
- (c) Are these areas specifically being utilised as the locations for exercises;
- (d) Is a strategic capability plan being developed to model the ways in which the ADF can approach protection of these assets;
- (e) Will Defence assets be significantly re-located to Northern and Western Australia to facilitate the on-going protection of Minerals and Resources assets; and
- (f) Is Defence in consultation with private-sector minerals/resources operators to develop protective strategies for these assets.

Response:

(a) In 2013 Defence will conduct 10 exercises in the North and West to test and enhance its capabilities including those relevant to the protection of the resources and minerals sector. A table-top exercise – Exercise PYTHON – was conducted in Perth in April 2013, which involved senior industry executives including those from the oil and gas sector. The aim of Exercise PYTHON was to take senior leaders through a series of briefs and vignette discussions to develop an understanding of the capacity and capabilities that Defence and other Government agencies have to deal with potential security threats. The Chief of the Defence Force has also directed that a larger tactical exercise be planned in North West Australia in 2014. Defence routinely conducts a wide variety of exercises at the Service, joint and multinational levels using Australian Defence Force elements tasked with the land, air and seaward defences of Australia, including our Sea Lines of Communication in the North and West, and conducts Offshore Energy Installation counter-terrorism training at least annually. Additionally, Defence contributes towards Whole-of-Government national resilience including counter-terrorism and civil emergency planning, and Australia's economic assets in the North and West form part of that planning.

(b) Identification of critical infrastructure such as ports or gas/oil distribution is made through the Trusted Information Sharing Network under the Critical Infrastructure Resilience Strategy managed by the Attorney-General's Department. Defence also works in close liaison with the Office of Transport Security for the identification of critical transport infrastructure.

(c) The North West is being used for 10 exercises planned by Navy, Army and Air Force in 2013 and the North and West are used within other exercise scenarios for the protection of critical infrastructure such as the multi-national BELL BUOY series of maritime trade protection exercises when hosted by Australia. Submarines regularly exercise in the waters of the North and West and the Pilbara Regiment and the North West Mobile Force (NORFORCE), both Army Reserve regional force surveillance units, regularly conduct training and surveillance in the North and West.

(d) and (e) Defence currently maintains a presence in the North West Shelf region under Operation RESOLUTE, which supports the Whole-of-Government response to security requirements of the North West Shelf region including offshore infrastructure. Based on the operational threat and available resources, Defence also provides Augmented Security Patrols in both the North West Shelf and Joint Petroleum Development Area (JPDA).

In addition, Defence already has significant assets in the North and West including naval bases at HMAS Stirling in Perth and HMAS Coonawarra in Darwin, two regional reconnaissance and surveillance units (Pilbara Regiment and NORFORCE), RAAF Base Tindal and 1 Brigade in Darwin, together with supporting services.

In terms of future strategic planning, the recommendations of the 2012 Force Posture Review were considered as part of the development of the 2013 Defence White Paper, which has recognised the need for Defence to have a more visible public presence in the North West. The Defence White Paper provides measures for the improvement of Defence's capabilities in the North West, specifically through enhanced naval infrastructure at Fleet Base West and upgrades to RAAF Bases Pearce, Tindal and Learmonth. In addition, Defence is conducting studies into the logistics of strategic fuel and ordnance supplies in the North West.

(f) Defence, Border Protection Command and industry representatives meet biannually at the Department of Infrastructure and Transport-led Oil and Gas Infrastructure Forum, which provides an opportunity for Whole-of-Government discussion with industry representatives on risk and security issues. Defence's role in the Forum is to engage with North West industry partners to increase awareness of Defence's supporting role and capabilities. Defence also conducts liaison with shipping and maritime trade industry representatives, which includes the Minerals Council of Australia and the Australian Petroleum Production and Exploration Association, at the biannual Australian Maritime Defence Council. Other industry representatives can be invited at the discretion of the Chairman and Council and Defence is seeking to expand the Council's membership.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q61: Cadet Officers and Instructors

Senator Ian Macdonald asked in writing:

Has the Government adopted the DHAT recommendation regarding service recognitions for Cadet instructors and Cadet Officers?

Response:

The Defence Honours and Awards Appeals Tribunal's inquiry into the recognition of contribution made by officers and instructors of the Australian Cadet Force recommendations and Government responses are as follows:

▪ **Recommendation 1:**

That no change be made to the *Australian Cadet Forces Service Medal Regulations 1999* or the Order of Precedence for wearing the ACFSM.

Response. No action required.

▪ **Recommendation 2:**

That there be no change to the *Australian Defence Medal Regulations 2006*.

Response. No action required.

▪ **Recommendation 3:**

The Chief of Navy, Chief of Army and Chief of Air Force be:

- a. informed about the Tribunal's findings in regard to the current internal system for the award of '*Certificates of Service*' to recognise five and ten years service in the ACF; and
- b. requested to consider and action as appropriate:
 - i. the adequacy of the current form of '*Certificates of Service*' to recognise five and ten years service rendered by an officer and instructor in the ACF; and
 - ii. whether there should be a separate form of recognition for service rendered as an officer and instructor in the ACF to that rendered by a cadet in the ACF.

Response. The current forms of the '*Certificates of Service*' have been considered and are found to be adequate. Therefore, no further action is required. It should be noted that these

certificates are only available to officers and instructors of cadets so the issue identified at recommendation 3.b.ii. is not relevant or applicable.

▪ **Recommendation 4:**

The Chiefs of Service Committee (COSC) be provided with a copy of the Tribunal's findings and recommendations in regard to recognition for meritorious/distinguished service by an officer or instructor in the ACF and the COSC be requested to amend, as they consider appropriate, the existing administrative procedures for the award of a conspicuous service decoration so as to give effect to the findings of the Tribunal.

Response. COSC noted the findings and recommendations and agreed that provision already exists to enable the award of Conspicuous Service Decorations to be made to officers and instructors in the ACF. COSC did establish a policy however, whereby only those nominations which reflect significant contribution to Defence operations or operational capability may be considered.

▪ **Recommendation 5:**

The Minister consider making a determination, pursuant to regulation 5(b) of the *Australian Conspicuous Service Decorations Regulations 1990*:

- a. to the effect that officers and instructors in the ACF are a class of persons who may be awarded a decoration as prescribed in the Regulations; or
- b. on a case by case basis, that a nominated officer or instructor in the ACF is a person who may be awarded a decoration as prescribed in the Regulations.

Response. No action is required as these provisions already exist.

▪ **Recommendation 6:**

Officers and instructors in the ACF continue to be eligible for nominations for awards under the provisions of the Order of Australia (General Division).

Response. No action required.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q62: Reserve Funding

Senator Macdonald asked in writing:

- (a) What was the funding allocation for Reserve Force training munitions in 2010/11?
- (b) What was the funding allocation for Reserve Force training munitions in 2011/12?
- (c) What is the funding allocation for Reserve Force training munitions in 2012/13?
- (d) What is the projected funding allocation for Reserve Force training munitions in 2013/14?

Response:

(a)

Navy

Permanent Navy and Naval Reserve members undertake munitions training in an integrated environment. No distinction is made between Permanent Navy and Naval Reserve members for the allocation of munitions funding.

Army

Army's business structures and processes do not allow for munitions data to be calculated separately for the Army Reserve as a whole. Munitions are allocated to Commands and Formations some of which are predominantly Regular, some of which are predominantly Reserve, and some of which contain both Regular and Reserve elements. However, in 2010/11 \$6.533m was allocated to 2nd Division, in which most of the Army Reserve formations and units reside, for munitions.

Air Force

Air Force has an integrated workforce that does not differentiate between Permanent and Reserve members for training resource purposes. There is no separate or distinct allocation of munitions for the Air Force Reserve.

(b) to (d)

For Navy and Air Force, please see (a). For Army, budgets for 2nd Division munitions were \$5.679m in 2011/12 and \$5.843m for 2012/13. For 2013/14 the budget for training munitions is still under consideration as part of the overall budget process.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q63: Reserve Funding

Senator Macdonald provided in writing:

- a. Do RFSU and Reserve Unit Commanders retain discretion to waive limitations on the maximum number of Reserve days paid annually to members?
- b. How many times was this discretion exercised in 2010/11?
- c. How many times was this discretion exercised in 2011/12?
- d. What budget allocation has been/is planned to be made for this discretion be exercised in 2012/13?
- e. What budget allocation has been/is planned to be made for this discretion be exercised in 2013/14?

Response:

(a) In order to exercise management of Army Reserve Training Days commanders are afforded levels of discretion, including the capacity to waive limitations upon the maximum number of days worked by individual members. These are constrained at varying levels of command. Unit Commanders manage individual days up to 100 training days per annum. A Brigadier or specifically appointed Colonel must authorise the use of training days of between 100 and 150 annually and Chief of Army endorsement is required for training days above 150. These extensions must still be achieved within the unit's original funding allocation as no specific or additional funds are set aside for this purpose.

(b) and (c) The determination of the figures for these financial years is an unreasonable diversion of resources as Army's current business processes do not allow for a consolidated data search for this particular requirement.

(d) and (e) See answer to (a)

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q64: Reserve Funding

Senator Macdonald provided in writing:

- a. Does the Defence Reserve Employer Support payment scheme subsidy program continue to operate?
- b. How much was spent on the Defence Reserve Employer Support payment scheme subsidy program in 2010/11?
- c. How much was spent on the Defence Reserve Employer Support payment scheme subsidy program in 2011/12?
- d. How much is budgeted to be spent on the Defence Reserve Employer Support payment scheme subsidy program in 2012/13?

Response:

- a. Yes, the Employer Support Payment Scheme continues to operate.
- b. In 2010/11 payments under this scheme totalled \$22.702 million.
- c. In 2011/12 payments under this scheme totalled \$21.094 million.
- d. For the Employer Support Payment Scheme for Financial Year 2012/13, Navy has budgeted \$3 million, Army has budgeted \$23.671 million and Air Force has budgeted \$1.551 million.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q65: Cadets

Senator Macdonald provided in writing:

In a Media Release on 20 September 2012 Parliamentary Secretary for Defence Senator David Feeney stated that ‘the program has been expanding with newly formed units across the country’.

- a. What are the locations of these new units (please itemise all new units nation-wide and specify if they are community-based or school-based units)?
- b. What are the sizes of these units in numbers of cadets and numbers of cadet staff (please itemise Cadet and Cadet-staff numbers for all new units nation-wide)?
- c. What were the costs of raising these units (please itemise the materiel, administrative and personnel costs of each new unit nationwide)?
- d. What was the source of the funding that was allocated to the expenses detailed in answer to question (c.) above (please list the funding source for each expenditure at each new unit nation-wide)?

Response:

- a. In recent years, the ADF Cadets program has expanded through a combination of growth in the size of existing cadet units (primary means) and the establishment of some new units (secondary means).

The following new cadet units have been established recently, as follows:

Navy

- New Training Ship ORION - Jindabyne, NSW (community-based)
- New Training Ship KOOKABURRA - Stanthorpe, QLD (community-based)

Army

- Werribee Secondary College Army Cadet Unit - Werribee, VIC (school-based)

Air Force

- 111 Squadron (SQN) Australian Air Force Cadets (AAFC) - Mt Isa, QLD (community based)
- 622 SQN AAFC - Murray Bridge, SA (community based)
- 231 SQN AAFC - Jimboomba, QLD (community based)

b.

Navy

- Jindabyne - 7 staff and 25 cadets

- Stanthorpe - 3 staff and 27 cadets

Army

- Werribee - 3 staff and 40 cadets

Air Force

- Mt Isa - 3 staff and 22 cadets
- Murray Bridge - 7 staff and 26 cadets
- Jimboomba - 1 staff, no cadets posted to this unit

c.

Navy

At the end of April 2013 the cost of establishing Training Ships ORION and KOOKABURRA was approximately \$211,000 made up of Materiel \$113,000, Admin - \$5000 and Personnel - \$93,000.

Army

Due to the way Army accounts are structured it is not possible to ascertain actual costs attributable to each new unit. However, the approximate cost of establishing a new Army Cadet Unit of 60 recruits is \$147,000 made up of Materiel - \$24,000, Admin - \$41,000 and Personnel - \$82,000. The on-going costs for a 60 Cadet strength unit is \$113,500 per annum being Materiel - \$49,800; Administrative - \$1,500; Personnel - \$62,200.

Air Force

It is not possible to ascertain actual costs attributable to each new unit because funds are not accounted for on that basis. However, the approximate cost of establishing a new Air Force Cadet Unit comprises an initial outlay of \$160 000 in Materiel costs, and recurring costs of \$100 000 per annum.

d.

Navy

The establishment of Training Ships ORION and KOOKABURRA was funded from the Navy Supplier budget, which includes an allocation provided for the Cadet Expansion and Enhancement (CEE) and Recruitment and Retention (R2) initiatives.

Army

The establishment of Werribee Army Cadet Unit (ACU) was funded from:

- the funds allocated by Army to Australian Army Cadet (AAC), including the CEE funding originally allocated to VCDF Group and subsequently transferred to each of the Services; and
- additional funds allocated by Army to cover personnel cost for Army Reserve Training Salaries and Cadet Force Allowance.

Air Force

The establishment of the new Squadrons was funded from:

- the funds allocated by Air Force to AAFC, including the CEE funding originally allocated to VCDF Group and subsequently transferred to each of the Services; and
- additional funds allocated by Air Force for facilities-related expenses.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates Hearing – 13 February 2013

Q66: Reconciliation Action Plan 2010 - 2014

Senator Macdonald provided in writing:

- (a) What is the funding allocation for the Defence Reconciliation Action Plan for 2012/13?
- (b) What is the projected funding allocation for the Defence Reconciliation Action Plan for 2013/14?
- (c) What programs are currently funded under this program (please list)?
- (d) Where are these programs located?

Response:

- (a) Defence was allocated \$8.957 million to implement the Defence Reconciliation Action Plan in 2012-13. This funding is spread across the Defence Indigenous Employment Strategy and the Defence Indigenous Development Program.
- (b) The current projected funding allocation for the Defence Reconciliation Action Plan for 2013-14 is \$9.238m.
- (c) The Defence Reconciliation Action Plan has three programs of work. These are: Changing Perceptions; Specialised Pathways; and, Provide Support to our People. The Defence Reconciliation Action Plan is a public document that articulates Defence's strategies in delivering these programs.
- (d) Defence Reconciliation Action Plan programs of work are not specific to geographic regions. Defence's indigenous programs are spread across Australia including remote and regional communities. Defence's major programs include the Defence Indigenous Development Program in north Queensland and Northern Territory, a strong focus on Australian Defence Force and Australian Public Service recruitment across regional and remote Australia and a commitment by the Secretary and Chief of the Defence Force to build a diverse workforce in Defence.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q67: Australian Defence Medal

Senator Ian Macdonald provided in writing:

- a. How much was spent on Australian Defence Medal ceremonies in 2011/12?
- b. How much will be spent/is budgeted/projected to be spent on Australian Defence Medal ceremonies in 2012/13?
- c. How much was spent minting and distributing Australian Defence Medals in 2011/12?
- d. How much will be spent/is budgeted/projected to be spent minting and distributing Australian Defence Medals in 2012/13?

Response:

- a. The total amount spent on Australian Defence Medal ceremonies in financial year 2011/12 was \$1,447.59 (excluding GST).
- b. For financial year 2012/13 there has only been one Australian Defence Medal ceremony at a cost of \$43.44 (excluding GST). No further expenditure is anticipated.
- c. The total amount spent on minting and distributing the Australian Defence Medal in financial year 2011/12 was \$108,320.86 (excluding GST).
- d. As at 22 March 2013, the total amount spent on the Australian Defence Medal for financial year 2012/13 is \$130,706.97 (excluding GST). It is expected that a total of approximately \$40,000.00 (excluding GST) will be spent for the remainder of this financial year.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Budget Estimates – 13 February 2013

Q68: Operational Service Medal

Senator Ian Macdonald provided in writing:

- a. What is the total projected cost of administration of the Operational Service Medal for 2012/13?
- b. What is the production cost for each individual Operational Service Medal?
- c. What is the cost to date of minting and awarding the Operational Service Medal to the personnel covered by the retrospective declaration made on July 18, 2012?
- d. What is the projected cost for the 2012/13 financial year of minting and awarding retrospective Operational Service Medals to border protection personnel back to the year 1997?
- e. What is the projected cost for 2012/13 financial year of minting and awarding retrospective Operational Service Medals to defence civilians back to the year 2000?
- f. What was the cost of the internal Defence inquiry that led to the creation of the OSM?

Response:

- a. Providing the administration costs for the Operational Service Medal for 2012/13 would be an unreasonable diversion of resources because the medal is administered across multiple areas of the Department, including those involved in research and verifying eligible service.
- b. The exact production cost for each individual medal is commercial in confidence. The production cost for each individual Operational Service Medal ranges from \$20 to \$30 per medal, with up to \$10,000 for the initial tooling set-up costs.
- c. As at 1 March 2013, the total cost for manufacture, engraving and dispatch of the Operational Service Medal was \$163,993.56 (excluding GST).
- d. The projected cost for financial year 2012/13 for the manufacture, engraving and dispatch of the Operational Service Medal for border protection personnel is expected to be \$329,617.70 (excluding GST).
- e. The projected cost for financial year 2012/13 for the manufacture, engraving and dispatch of the Operational Service Medal to defence civilians is expected to be \$34,568.22 (excluding GST).
- f. Providing costs attributable to the internal Defence inquiry that led to the creation of the operational service medal would be an unreasonable diversion of resources because of the length of time elapsed since the inquiry was conducted in 2007.

Senate Standing Committee on Foreign Affairs, Defence and Trade

QUESTIONS ON NOTICE – COMMITTEES

Senate Additional Estimates – 13 February 2013

Q69: Decommissioned military hardware

Senator Smith provided in writing.

Can the Department please list those non-Defence organisations successful in securing the 30 Leopard tanks decommissioned as part of the 2007 expression of interest process detailed in the Minister for Defence Materiel's response (dated 10 December 2012) to my representation dated 12 November 2012?

Response:

The 30 non-Defence recipients of the decommissioned Leopard Tanks are:

- (i) Australian Capital Territory:
 - (a) Canberra Services Club.

- (ii) Queensland:
 - (a) Cooktown RSL;
 - (b) Bribie Island RSL;
 - (c) McLaren Vale RSL;
 - (d) Woodford RSL;
 - (e) Beenleigh RSL;
 - (f) Kilcoy RSL; and
 - (g) Mount Perry RSL.

- (iii) New South Wales:
 - (a) Forster-Tuncurry RSL;
 - (b) Jerilderie RSL;
 - (c) Echuca and Moama RSL; and
 - (d) Ingleburn RSL.

- (iv) Victoria:
 - (a) Yarrawonga-Mulwala RSL;
 - (b) Seymour RSL;
 - (c) Bendigo RSL;
 - (d) Epping RSL;
 - (e) Upwey-Belgrave RSL; and
 - (f) Rutherglen RSL.

- (v) Tasmania:
 - (a) Beaconsfield RSL.

- (vi) Northern Territory:
 - (a) City of Palmerston RSL.

- (vii) South Australia:
 - (a) Marion RSL;
 - (b) Port Augusta RSL;
 - (c) Echunga RSL;
 - (d) Two Wells RSL; and
 - (e) Mount Gambier Community RSL.

- (viii) Western Australia:
 - (a) Port Kennedy RSL;
 - (b) Geraldton RSL;
 - (c) Esperance RSL and Esperance Museum;
 - (d) Collie Cardiff RSL; and
 - (e) Bunbury RSL.