

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL BUDGET ESTIMATES 2011-2012

Finance and Deregulation Portfolio

Department/Agency: ASC Pty Ltd

Outcome/Program:

Topic: Financials

Senator: Johnston

Question reference number: F49

Type of question: Written

Date set by the committee for the return of answer: Friday, 30 March 2012

Number of pages: 2

Question:

- a) Since 2004-05, what have been the annual revenues and profits recorded for (a) shipbuilding and (b) submarine work undertaken by ASC?
- b) Since 2004-05, what percentage of ASC's revenue was derived from the Department of Defence?
- c) Since 2004-05, what have been the expenses incurred for (a) shipbuilding and (b) submarine work undertaken by ASC in terms of employees, materials and subcontractors, professional fees, depreciation etc.
- d) For 2010-11 what was the billed cost breakdown with respect to shipbuilding work:
 - i. Direct Labour
 - ii. Materials
 - iii. Overhead
 - iv. Margin
- e) For 2010-11 what was the billed cost breakdown with respect to submarine work:
 - i. Direct Labour
 - ii. Materials
 - iii. Overhead
 - iv. Margin
- f) To what extent are ASC's revenues from the AWD project based on performance? What measures are used to measure performance and how has ASC performed against those measures each year since the inception of the project? How much revenue has been gained or foregone as a result of ASC performance in the AWD Alliance.
- g) What is Deep Blue Tech's Business Model/Plan?
- h) Who within the government signed off/approved Deep Blue Tech's Business Model/Plan?

Answer:

a) Provision of the above information could assist ASC's competitors with business segment profitability analysis of the company. ASC's overall revenues and profits are provided in the table below:

ASC CONSOLIDATED	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue from work undertaken	217.0	254.7	305.6	315.4	346.1	513.5	695.8
Profit before tax	20.6	26.3	42.1	43.9	25.5	4.9	14.2
Income tax	(4.4)	(7.8)	(12.5)	(14.2)	(7.1)	(0.6)	(3.6)
Profit after tax	16.2	18.5	29.6	29.7	18.4	4.3	10.6

b) Since 2004-05, 100% of ASC's revenue has been derived from the Department of Defence.

c) The requested information could assist ASC's competitors with business segment profitability analysis of the company.

d) Provision of the requested information could assist ASC's competitors with business segment profitability analysis of the company.

e) Provision of the requested information could assist ASC's competitors with business segment profitability analysis of the company.

f) The AWD Alliance operates within the terms of the Alliance Based Target Incentive Agreement (ABTIA).

The ABTIA is a target cost incentive contract where the Industry Participants' (IPs) costs are reimbursed by the Commonwealth subject to various limitations, with the IPs' profits being at risk depending on overall performance against Target Cost Estimate (TCE). It is an alliance based contract under which the Commonwealth and the IPs share outcomes and risks, including schedule risks, principally through putting the IPs' Fee entitlements at risk (and giving potential for additional Fee for favourable Program outcomes), while providing that the IPs' cost outcomes are protected through Commonwealth reimbursement of actual Direct Project Costs.

As such, the Fee paid, which is the IPs' profit and recovery of corporate overheads, is based on achieving project milestones determined by a baseline performance schedule, toward the completion of the Program. The amount of the Fee is determined primarily on Earned Value Performance and is paid on a quarterly basis. To date both ASC and Raytheon have been paid their Fee appropriate to project progress and the earned value progress.

g) The business model is to invest in the development of a capability, currently not available in Australia, with the expectation that this investment will generate a return to the shareholder throughout the Future Submarine Programme and beyond.

h) The then Minister for Finance and Administration approved the establishment of Deep Blue Tech Pty Ltd.