

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS  
AUSTRALIAN CUSTOMS SERVICE

**Question No. 59**

**Senator Ludwig asked the following question at the hearing on 13 February 2007:**

With reference to performance information contained within the 2006-07 Portfolio Budget Statement (PBS) and the Portfolio Additional Estimates Statements (PAES):

The PBS contained a forecast of 24,220 flying hours for 'Coastwatch contracted aircraft' which was revised down to 21,000 in the PAES?

- a) Can Customs confirm that this represents a 13.3% decrease in the forecast?
- b) For the original 24,220 flying hours contracted, can Customs provide a list of the parties contracted to provide those hours, detailing:
  - i) The name of the contractor (e.g. Surveillance Australia)
  - ii) The number of flying hours contracted
  - iii) The contracted cost for those flying hours
  - iv) The expected average cost per hour flown
  - v) The aerial surveillance coverage they were expected to deliver
- c) For the revised 21,000 flying hours contracted, can Customs provide a list of the parties that it now expects or has contracted to provide those hours, detailing:
  - i) The name of the contractor (e.g. Surveillance Australia)
  - ii) The number of flying hours they are expected to deliver
  - iii) The revised cost for those flying hours
  - iv) The revised expected average cost per hour flown
  - v) The revised aerial surveillance coverage they were expected to deliver
  - vi) The decrease or increase in the number of flying hours they will now deliver compared with the original contract (in both hours and percentage terms)
  - vii) The decrease or increase in the aerial surveillance coverage that they will now deliver compared with the original contract (in both square nautical miles and percentage terms)
- d) For the revised 21,000 flying hours, can Customs detail provide a breakdown by month of what was originally forecast and what has been or is now expected to be delivered?
- e) The PBS contained a forecast of 171.6million square nautical miles for 'Coastwatch contracted aircraft and RAAF assets' which was revised down to 152.7million in the PAES:
  - i) Can Customs confirm that this represents a 11.0% decrease in the forecast aerial surveillance coverage?
- f) Mr Tom Marshall, Director General Border Protection Operations, stated that "the main reason for the prediction downwards is the ability of the contractor to fly out the hours we would like the contractor to fly out. The contractor is under a lot of pressure to maintain and recruit aircrews". Could Customs provide details of:
  - i) Aircrew turnover at Surveillance Australia over each 2004-05, 2005-06 and 2006-07, broken down by pilots versus analysts and including:

- 1) The number of crew at the start of the year
  - 2) The average number of crew across the year
  - 3) The attrition rate for that year
  - 4) The recruitment rate for that year
- g) How have the problems being experienced by the contractor impacted upon Coastwatch surveillance? i.e. what have they not or will they not deliver that they were originally contracted to perform?
- i) Will there be any change to their payments as a result? If so provide further details? If not, why not?
  - ii) What contingency arrangements have Customs put in place? What has been the cost of these arrangements?

**The answer to the honourable senator's question is as follows:**

- a) Yes.
- b) Customs has contracts with Surveillance Australia Pty Ltd (SAPL) and Australian Helicopters Pty Ltd (AHPL) to deliver surveillance services. The target of 24 220 hours was an estimate of the total hours to be provided under these existing contracts during 2006-07, together with an estimate of additional hours to be provided under new government initiatives funded in the 2006-07 Budget. The projections for the new initiatives assumed a phased introduction of the additional hours reflecting the requirement to conduct contract negotiations with existing contractors and complete a tender evaluation process for the Rapid Response Helicopter initiative.
  - i) As noted above, the only parties contracted to provide the flying hours were SAPL and AHPL. The contract for delivery of the Rapid Response Helicopter capability was concluded in January 2007.
  - ii) The existing contracts provide for the infrastructure and resources necessary to deliver surveillance services, rather than contracting for a specific number of flying hours. A notional target number of hours is used for planning and reporting purposes.
  - iii) Payments to contractors under current contracts contain a number of elements – primarily fixed charges such as maintenance and base infrastructure costs; and variable costs such as those associated with flying including fuel, and travel and accommodation for crew involved in away from base operations. The total cost of services payable therefore is dependent on the actual hours flown and is affected by movements in contract indices in areas such as fuel. The actual cost of delivering the target of 24,220 hours was not calculated at the time the Portfolio Estimates projections were compiled, as the additional hours had not been negotiated, nor had the Rapid Response Helicopter tender evaluation process been completed.
  - iv) Refer to the response for iii).
  - v) The projected aerial surveillance coverage was: SAPL-162.81 million square nautical miles and AHPL 0.55 million square nautical miles

- c)
  - i) Contractors who will provide the revised hours are SAPL, AHPL, AMSA, and Helicopters Australia.
  - ii). BPC forecasts that these contractors will deliver, respectively 18 856, 1 250, 894 and 200 hours respectively. Helicopter Australia's hours will be a combination of surveillance and response, with response operations taking priority.
  - iii) and iv) Actual costs are subject to on-going contract negotiations.
  - v) It is forecast that SAPL will deliver 142.49 million square nautical miles of surveillance coverage and AHPL 0.55 million square nautical miles. Helicopters Australia will provide a maximum of 100,000 square nautical miles of surveillance (assuming that there are no response requirements). AMSA's Dornier aircraft will provide 6.4 million square nautical miles. RAAF P3 Orion aircraft will also supplement surveillance coverage through Operation Resolute.
  - vi) In terms of fixed wing surveillance it is expected that there will be slightly fewer hours delivered than originally forecast but more than were delivered in 2005 - 2006. SAPL is the primary provider of fixed wing surveillance and it is likely that it would have been contracted to deliver the additional hours. AHPL are expected to deliver the totality of hours forecast for their rotary wing services.
  - vii) In terms of fixed wing surveillance it is expected that there will be a slight decrease in surveillance coverage than originally forecast but the coverage for 2006 - 2007 is expected to be equivalent to that delivered in 2005 - 2006. SAPL is the primary provider of fixed wing surveillance and it is likely that it would have been contracted to provide the additional coverage. It is expected that AHPL will meet projections in relation to its surveillance coverage.
- d) The month-by-month breakdown of planned flying is operationally sensitive.
- e)
  - i) Yes.
- f) BPC does not have access to the individual details required to respond to this question. Under contract arrangements the surveillance contractors are responsible for recruiting and managing aircrew, and this information is not available to Customs.
- g). The aircrew numbers have impacted on the programing and delivery of surveillance flights, and the number of hours flown.
  - i) The contractor will continue to receive payments for fixed charges; however variable payments will reduce commensurate with any reduced flying.
  - ii) BPC is seeking to ameliorate this slight decrease in flying hours through use of the AMSA's Dornier aircraft for surveillance when not required for Search and Rescue activities, RAAF deployments, and to a lesser extent, ad hoc charters. The Whole of Government Common Risk Assessment Methodology is used by BPC to continue to ensure that all of the assets assigned to the Command are deployed to areas of greatest risk. Some providers have requested cost confidentiality.