

**Joint Committee of Public Accounts and Audit Inquiry
into Auditor-General's Report No. 6 – Army's Protected
Mobility Vehicle – Light**

Department of Defence - Written Submission

September 2018



Australian Government

Department of Defence

Executive Summary

The Protected Mobility Vehicle — Light project aims to provide Defence with highly mobile field vehicles that are protected from ballistic and blast threats. Defence commenced the acquisition process in 2006. The initial procurement strategy, approved by the Government in October 2008, was to participate in the Joint Light Tactical Vehicle (JLTV) program being developed by the United States, while retaining the option to procure a military-off-the-shelf-vehicle. In 2009, Defence gained approval to evaluate a Manufactured and Supported in Australia (MSA) option in parallel to the JLTV program. From July 2010 to June 2011, three MSA options were evaluated. The vehicle ultimately selected in 2015 was the Australian-developed Hawkei vehicle designed by Thales Australia.

In September 2018, the Auditor-General published Audit No. 6 *Army's Protected Mobility Vehicle – Light*. The Auditor-General made no recommendations in the audit report.

Defence notes the findings contained in the report, including the identified key learnings, which will support and inform Defence's approach to capability acquisition.

Background

In developing the Hawkei, Thales Australia has drawn on its experience producing the Bushmaster, widely recognised as one of the world's best protected mobility vehicles. The Hawkei will provide a high level of protection for soldiers against blast and ballistic threats, with superior off-road mobility to enable it to operate in high-risk areas. The Hawkei has already successfully completed ballistic and blast testing in accordance with the Australian Defence Force's requirements for protection.

The Hawkei vehicle will continue to be produced at Thales Australia's Bendigo facility. The manufacturing capabilities, and the skills of Thales Australia's Bendigo workforce, are an important national security capability. Thales Australia has achieved an Australian Industry Capability content of over 50 per cent of the acquisition contract value of \$1.3 billion. The acquisition contract will sustain around 210 jobs in Thales Australia's workforce in Bendigo. It will also create around 35 additional jobs as part of the support contract and around 180 additional jobs as part of Thales Australia's supply chain to support production.

On 31 August 2016, Thales Australia was awarded the Eureka prize for 'Outstanding Science in Safeguarding Australia' for its work in the design and manufacture of the Hawkei protected mobility vehicle.

Attorney-General's Certificate

Defence notes the JCPAA is particularly interested in matters relating to the issuing of a certificate by the Attorney-General under section 37 of the *Auditor-General Act 1997* to prohibit certain information being included in the public report for the ANAO's performance audit.

The Attorney-General has made it clear that his decision to issue such a certificate was thorough and considered. Defence is not aware of the full scope of the Attorney-General's consideration, but can advise that the Attorney-General requested that the former Ministers for Defence and Defence Industry provide information which would be relevant to his decision making process. The Ministers sought advice from Defence and responded to the Attorney-General.

Defence understands that public comment on the redacted components of the public report would breach the Attorney-General's certificate.

Auditor-General's Report and Defence's Response

In his public report, the Auditor-General states that Defence has established appropriate oversight arrangements for the acquisition of this significant capability. Further, he notes that the project remains within its budget and scope, but that reliability issues have led to schedule delays.

Early reliability issues are common in a developmental acquisition of this nature. Defence and Thales Australia are working collaboratively to resolve these issues. While the reliability issues have led to delays, the project remains within the capability, budget and schedule parameters approved by the Government.

The Auditor-General's report states that Defence postponed the May 2017 Gate Review, with the result that the project passed the major milestone of entry into Low-Rate Initial Production without the scrutiny offered by these reviews. However, Defence had informed the Auditor-General that this decision was made-with the appropriate level of senior management oversight and subsequent Gate Reviews have not flagged concerns with this decision.

The Auditor-General's report notes that \$221.3 million was expended to keep the Bendigo facility in operation, and was not included by Defence in its assessment of the overall cost and value for money of the Hawkei project at Second Pass. However, this expenditure was for building extra Bushmaster vehicles under a separate Defence project (Land 116).

Project Updates

Reliability confirmation testing is ongoing and will be finalised prior to proceeding to full-rate production of the remaining 1,000 vehicles and 958 trailers from 2019-22. The Hawkei is an innovative vehicle designed to meet the Australian Defence Force's requirements for survivability, mobility, payload, communications, usability and sustainability.

Conclusion

The Hawkei provides Australia with a domestically developed and sovereign capability that can be modified to meet emerging threats and protect Australian Defence Force personnel. Defence is also confident that the Hawkei has the potential to be modified to meet the requirements of our security partners and provide these nations with a highly effective capability.