

Department of Defence

JSCFADT Review of the Defence Annual Report 2013-14 - 5 June 2015

Question on Notice No.2 - Iraq Forces trained by ADF

Mr Nikolić asked on 5 June 2015, Hansard page 15:

Mr NIKOLIC: Finally, CDF, is there anything you can say about the forces, for example, that we have trained in southern Iraq in the past, in Al Muthanna Province and elsewhere, that they have been in any way committed to offensive operations further north outside of their provincial areas? If so, how have they performed?

Air Chief Marshal Binskin: I will have to check on that to find out where those units may have been. I will say that, from what we have seen and what we have openly spoken about, the chances of them having maintained capability under the previous Iraqi regime and with all the issues that were with that, I think, are pretty slim. I think we are starting again from that low basis and working through with all these units to build them back up.

Response:

ADF Training Teams deployed to Iraq from July 2003 to July 2009 under Operation CATALYST, with 33,018 Iraqi Army personnel trained by and under the direct supervision of Australian mentors. Defence has no information regarding the subsequent operational tasking or performance of those Australian trained and mentored Iraqi Army personnel.

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Question on Notice No. 1 - Heritage Listed Defence Estate

Senator Gambaro asked on 5 June 2015, Hansard page 10:

Ms GAMBARO: Another recommendation regarded heritage listing, an area that I have had a strong interest in, and the committee has, too. Do we know the dollar value of the amount of heritage listed properties that are currently owned by Defence, and are there any specific programs or any way forward there? A lot of these heritage listed disused military buildings are mothballed, by the sounds of things, and the cost of maintaining them is ever-increasing. I know this is a difficult area, but has any thought been given to this since we last met?

Mr Grzeskowiak: On the first point, I would have to take on notice the estimated value of the heritage properties. We have been looking at our management of heritage properties in relation to how they are valued as assets and what their effective useful life should be in an accounting sense. That is being worked through. We are also looking at how we manage heritage properties. At the moment, heritage is one of a number of factors that we take into account when we are looking at investment in maintaining assets on the estate. We also look at the contribution to capability in WHS matters and any other legislative issues around the particular piece of the estate that we might be focusing on. So it is something that we are constantly looking at, but we are also engaged in a conversation with the Department of the Environment, who are responsible for the Environment Protection and Biodiversity Conservation Act and the heritage side of that, to look at ways of giving Defence more accountability, if you like, for the decisions that are made around heritage assets on the estate. But again those are very early conversations.

Response:

As reflected in the Defence Asset Register, the current book value of heritage estate assets is approximately \$900 million.

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Question on Notice No. 3 - Defence Personnel Critical Categories

Senator Fawcett asked on 5 June 2015, Hansard page 17:

CHAIR: Could I ask, generically, for defence to take on notice to provide to the committee where you are actually at, for each of the critical categories not only in Defence—which as you say is more mature—but also in the APS? Could you provide a snapshot of your demand, your gap, and your closure and success, for each category? That would be useful.

Response:

Defence uses a robust process to identify, on an annual basis, areas of future workforce risk. This results in the identification of ADF critical categories and APS critical occupations. Remediation plans are developed to reduce workforce shortages and minimise risk. Detail of individual critical categories/occupations is classified.

A variety of factors can influence whether an ADF category or APS occupation is considered critical. These include separations, recruiting performance, training throughput and category / occupation structure.

Due to the security classification of capability impacts, specific responses relating to individual critical categories and occupations are not provided.

The following provides broad information on ADF critical categories, and APS critical occupations:

- (a) The number of ADF critical categories has improved from a peak of 37 in 2008. There are currently 13 categories that have been identified as critical, and these represent 3.5 per cent of the ADF workforce.
 - (i) All of the current critical categories are within Navy and are in the following workforce areas: engineering, technical, warfare operator and health.
 - (ii) Defence efforts to remediate ADF critical categories have been through training pipeline efficiencies, improvements to workforce structures, and targeted recruitment and retention initiatives.
 - (iii) Defence is currently conducting a review of the submariner employment offer in order to reduce the number of critical categories in that particular capability. Targeted measures, such as deliberately differentiated packages, may be used as part of the remediation plans.

- (b) The process of identifying APS critical occupations is new and commenced in 2014. There were 10 APS occupations initially identified as critical and this has recently been reduced to nine. Defence APS critical occupations are in the Engineering and Technical, Intelligence and Security, Health and Project Management job families.

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Question on Notice No. 4 - ADF Base Live-in Accommodation

Ms Gambaro MP asked on 5 June 2015, Hansard page 24 :

Ms GAMBARO: On asset management and accommodation, is there a shortfall of accommodation in any particular base at the moment, that is quite critical—that is on your highest priority list? In terms of not DHA, but on-base accommodation?

Air Chief Marshal Binskin: Do you mean living-in accommodation? I would have to take that on notice and have a look around. We use the accommodation on bases for a couple of things. One is, no kidding, living-in accommodation for those people posted to a particular area. But we also use living-in accommodation for transit accommodation, courses and all that. So it is a bit more complex than just saying, do we have a shortfall?

Response:

Living in accommodation (LIA) is used for three purposes:

- (a) To permanently accommodate members posted to a base;
- (b) Accommodate students on courses conducted at Service schools or at bases; and
- (c) Provide transit accommodation for groups and members moving within Australia for duty purposes.

Defence's requirements for permanent LIA have been generally addressed through the provision of high quality accommodation, primarily through Public Private Partnership (PPP) arrangements. Currently there are no critical shortfalls against this requirement.

Similarly, there are no critical shortfalls for course or transit accommodation.

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Question on Notice No. 5 - Underinvestment in facilities and ICT

Senator Fawcett asked on 5 June 2015, Hansard page 26:

CHAIR: In the annual report it states: Underinvestment in facilities and ICT is starting to catch up with us and, unless addressed, will impact negatively on ADF capability. It goes to the issue we started today with in that I have no visibility, nor does anyone else in the committee or the parliament, as to the scale of that underinvestment nor necessarily the areas of underinvestment to help us understand the priority for investment. Can I ask that you take on notice to provide to the committee—I am happy for it to be in camera; I recognise there are things that perhaps you do not want to put out in the public—an understanding of those two areas that you have highlighted very specifically in the annual report: what is the scope of the underinvestment and what are the priority areas that need remediation?

Mr Richardson: We can do that.

Response:

FACILITIES

Defence prioritises estate investment works into very high, high, medium and low risk requirements. Very high and high risk works elements, if not addressed, will impact on the safety and ongoing capability delivery of the base in the short-term, medium risk elements are identified works that if not treated or managed will impact the effectiveness of the base or will become high/very high risks within the next 5-10 years.

Prioritisation of available estate funding enables Defence to invest funds to deliver works to address all very high and high risk estate requirements and only some medium risks. The medium risk works which are not being funded, represent the highest proportion of estate investment requirement and contributes largely to the declining remaining useful life or condition of the estate. The unfunded element can be quantified on this basis and is estimated to be \$4.3 billion over 10 years.

Increased funding to address medium risk estate priorities, together with some rationalization of the Estate footprint, would improve the condition of the Estate into the future and allow risks to be addressed prior to becoming high/very high risks and impacting ADF capability.

Priority areas that require remediation include wharves and ports and in-ground infrastructure. The last two financial years has seen greater stability of estate investment funding and this has enabled investment into priority projects such as the HMAS Stirling (Garden Island West) Redevelopment and Garden Island East remediation projects. The Garden Island projects had previously been delayed due to budget reductions and are now due to commence works within the next 12 months. These projects will directly address remediation of key enablers to ADF capability.

ICT

As a result of reducing budgets for ICT across Defence, the majority of the Defence ICT budget has been allocated to critical 'business as usual' activities to ensure sustainment of extant capabilities. With limited exceptions, this has led to an environment with only 'lights on' sustainment activities being conducted. This has now resulted in a bow wave of sustainment activity required to redress obsolescence issues and ensure the ICT portfolio returns to a sustainable and cost effective operating environment.

Independent analysis has shown that the CIO Group budget suffers from a shortfall of \$4 billion between 2014-15 and 2023-24. Of this shortfall, approximately \$1 billion is required to return the business as usual sustainment environment to a stable operating paradigm. The ICT capability within Defence would therefore benefit from any possible supplementation that may result from the target of returning the Defence budget to 2 per cent of GDP by 2023-24 or through rebalancing or offsets agreed through the White Paper / FSR process.

Further investment in Information Management and Information sharing across Government and with our Coalition partners has been identified as a priority by Defence in developing the 2015 Defence White Paper. Equally, continued investment in Information Security remains a priority given the increasing level of technological maturity of our potential adversaries.

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Question on Notice No. 6 - Patrol Boat Program

Ms Gambaro MP asked on 5 June 2015, Hansard page 40:

Ms GAMBARO: On the patrol program, we were talking about where it was decided. I think it was decided on the Department of Foreign Affairs, as to who should be gifted the vessels. Is that right?

Air Chief Marshal Binskin: We will take on notice the exact process on international policy and who they work with and how that was developed.

Ms GAMBARO: And it was a cost that was borne by the Department of Defence, not through the DFAT program?

Air Chief Marshal Binskin: It is a Defence program, I think—or partial. We will take the funding on notice.

Ms GAMBARO: And the new request for tender that my colleague Mr Nikolic is very excited about: are we offering it to all participating Pacific—PNG, Fiji? Have we enhanced the tender process, or have we kept it pretty much to the countries that were participating states before?

Air Chief Marshal Binskin: We have put out invitations to nations. I will take that on notice as well, to provide a list to you, only because I do not know how public that is at the moment.

Response:

The allocation of replacement patrol boats to Pacific Island countries was agreed by the Australian Government in June 2014. This decision was based on Defence's assessment of each nation's maritime capability need, their capacity to operate and sustain the replacement vessels, and the cost to Australia to deliver a follow-on program.

Project SEA3036 – Pacific Patrol Boat Replacement Phase 1 will be entirely funded by the Department of Defence.

All Pacific Island countries that have participated in the Pacific Patrol Boat Program have been invited to receive replacement vessels under the Pacific Maritime Security Program. This includes Papua New Guinea, Tonga, Solomon Islands, Tuvalu, Kiribati, Samoa, Vanuatu, Federated States of Micronesia, Fiji, Palau, Republic of Marshall Islands, and the Cook Islands. In addition, Timor-Leste has been invited to participate as a new member.

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Question on Notice No. 7 - C-RAM Life Support

Senator Fawcett asked on 5 June 2015, Hansard page 40:

CHAIR: How many people bid to provide the through-life support here in Australia?

Mr Thorne: I think it was a limited or restricted tender to those that could provide the capability. Principally I think it was Saab for the radar, for example.

CHAIR: My understanding is that there was very limited capability in Australia to provide it, yet people were still required to go through the cost and effort of competitively bidding for it. Was a cost-benefit analysis done of, rather than using a competitive process, having a contractual model that guaranteed value for money for the taxpayer and increasing cost savings and effectiveness—and sole sourcing on that basis with the people who had maintained it whilst in operation, as opposed to defaulting to the way we have often done it, which is a competitive process?

Mr Thorne: I would have to take that on notice. My understanding is that in the main the various packages of work were done on a sole-source process. I would have to check to see what package of work you are talking about that was competitive.

CHAIR: Could you take that on notice. My understanding is that there was a cost to industry because it was competed. I am happy to be proven wrong but that is my understanding.

Mr Thorne: I do not have that information.

Mr Dunstall: As Mr Thorne said, there are only a couple of elements of the support package that involved a competitive tender that was open to Australian industry. But we will get the details of that for you. There were certainly a number of elements that were direct sourced to the relevant OEMs or through the FMS system and other bits that were put out to competitive tender. But we will get the details for you.

Response:

The C-RAM system was supported on operations through a combination of the U.S. Foreign Military Sales system and commercial contracts with SAAB AB (Sweden). An analysis was conducted on the optimum tendering approach for the long-term support of the C-RAM system and an Open Tender was selected, with industry able to tender for either the whole system or any combination of the five sub-systems. The primary basis of the Open Tender approach was to determine if the Commonwealth could contract with a single provider to support the entire system, which would reduce management overheads over the life of the capability and ensure technology upgrades would remain synchronized. This approach was also adopted to provide all potential providers with an opportunity to offer a solution and introduce competitive tension in the tender process to maximise the outcomes for the Commonwealth. SAAB Australia was the only respondent and submitted a bid for the support of three of the five sub-systems. Contract negotiations with SAAB Australia are ongoing. The remaining sub-systems will be supported through the Foreign Military Sales system.

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Question on Notice No. 8 - New vehicle for Special Forces

Ms Gambaro asked on 5 June 2015, Hansard page 42:

Ms GAMBARO: Can you elaborate on the new vehicle for special forces?

Mr Dunstall: That is the Supacat. It is a special ops vehicle commander. Contracts have recently been let for that. There are two contracts, one with Supacat and one with Jencol Engineering. Those vehicles are being produced and a lot of the work is being done on the outskirts of Sydney.

Ms GAMBARO: How many are there of those?

Mr Dunstall: We will take that on notice.

Response:

There are two types of vehicles being delivered by Joint Project 2097 Phase 1B – Enhancements to Special Forces. Jankel Armouring Ltd has a contract to deliver 22 Special Operations Vehicle – Support; and Supacat Ltd has a contract to deliver 89 Special Operations Vehicle – Commando.

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Question on Notice No. 9 - Hail damage to KC-30

Senator Fawcett asked on 5 June 2015, Hansard page 42:

CHAIR: We will move to the air domain now. The annual report talked about hail damage on a KC-30. I am just interested to understand the context of that—the extent of damage, cost and what lessons we have learnt in terms of avoidance of similar damage in the future.

Air Marshal Brown: I cannot give you the cost, I will have to defer to the DMO on that. There was damage around the flaps and engine cowl, just in the carbon fibre, which actually required replacement and repair of the engine cowls and the flaps.

CHAIR: Was it an in-flight incident as opposed to on the ground?

Air Marshal Brown: It was on the ground.

Air Chief Marshal Binskin: They were parked at Amberley at the time.

CHAIR: Was it a hail storm?

Air Marshal Brown: It was just a hail storm.

CHAIR: Amberley is not their normal base?

Air Marshal Brown: No, Amberley is their normal base.

CHAIR: I would be interested in you taking on notice—unless DMO know—what the anticipated cost of repair is and how that compares to a fabricated shelter.

Dr JENSEN: Were the flaps deployed at the time?

Air Marshal Brown: It was in its normal configuration on the ground. Having said that, I suspect there are a lot of A330s flying around the world with similar hull damage to what we saw.

Response:

Total cost of repair to the two aircraft was approximately AUD 8.6 million. The estimated cost of a carport style shelter is at least AUD 3.3 million per shelter. Due to the cost and frequency of this type of storm in this location Defence has opted to adopt civil airline practice to park aircraft with flaps extended.

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Question on Notice No. 10 - Issues with long term spares

Senator Fawcett asked on 5 June 2015, Hansard page 42:

CHAIR: I am sure there probably are, but we tend to repair our aircraft to a certain standard. That comes at a cost. If people are going to be parking aircraft in Queensland, hailstorms are not infrequent. It would be an interesting cost-benefit analysis to work out if they should be going before whatever process to get shelters built for the aircraft. There was discussion about the Super Hornet, talking about some availability issues of long-lead-time spares. I am interested in knowing if that was an availability issue because we were too low on the priority list, we did not have the funding to order them or it was just a long lead time when we ordered them and it was going to take 12 months to produce?

Air Marshal Brown: To be honest, I would need to have a look, but the availability of the Super Hornet has been quite good. Have a look at the Okra detachment; those six aeroplanes flew at four times normal rate, train and sustain. From an operational output, there has been no issue with sparing the Super Hornet, and the availability is quite good at the moment as well.

CHAIR: Sure. That was not my question though. I am interested in understanding the reason why we have an issue with long-term spares. Is that in terms of identification, ordering, funding, predicting—

Air Chief Marshal Binskin: Can we take that one on notice?

CHAIR: Sure.

Response:

The majority of spare parts associated with the Super Hornet acquisition have been received; however, there are a number of long lead time items forecast for delivery by late 2016. The lead time (3-4 years) reflects the need for the US Navy to contract with industry, manufacture, test and deliver the required orders on our behalf. The items are across a range of systems, including repairable items and break down spares, and are being managed to minimise the impact on fleet availability.

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Question on Notice No. 11 - JSF - weapons

Dr Jensen asked on 5 June 2015, Hansard page 43:

Dr JENSEN: I have a few specific questions and then a couple of general ones. The first one: where are we as far as weapons integration is concerned? What weapons, if any, are cleared, with the JSF? What still needs to be cleared?

Air Marshal Brown: I wish I had Chris Deebie here at the moment, because he probably has that level of tactical detail. To be honest with you, at the moment what is cleared on the JSF is not high on my priority list. We have operations with classics and the Super Hornet and I have been concentrating more on whether we actually have the right sort of weapons load for the current ones in operation.

Air Chief Marshal Binskin: For us, it is what will be cleared by the time it comes into service to meet IOC that is more important to us than what is cleared right now. I think where you are coming from is: are the clearances happening on the schedule that had been planned or not? And I think we need to take that on notice for you.

Response:

The allocation of specific weapons to software blocks is classified and can not be released. Block 2B Software has been released to the US Marine Corp to support their planned Initial Operational Capability (IOC) in late 2015. This provides a limited air to air and air to ground capability. Block 3I is planned for release next year to support the US Air Force's IOC in late 2016 and will include Block 2B air to air and air to ground capabilities. The full war fighting capability, known as Block 3F, is planned for release in December 2017 and will incorporate additional weapon capabilities, including the 25mm Gun.

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Question on Notice No. 12 - Independently validated sims

Dr Jensen asked on 5 June 2015, Hansard page 43:

Dr JENSEN: I am happy for you to do that. There were a lot of problems with VSim, as you know, in terms of IV&V. Is there any IV&V cleared combat sim yet? Lockheed Martin makes a lot of news: 'The loss-exchange ratio is X' and 'The loss-exchange ratio is Y.' They were talking about VSim as if it was an independently validated sim when in fact it was not. Are there any independently validated sims that are being used at the moment—man-in-the-loop sims in particular?

Air Marshal Brown: I am going to have to take that one on notice as well.

Response:

The VSim is currently undergoing qualification and is expected to be available to support final qualification of Block 3F software. Defence is unaware of any other validated simulators that will be utilised to support the Test and Evaluation of the Block 3F software.

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Question on Notice No. 13 - PAO valve status and issues relating to data software loads

Dr Jensen asked on 5 June 2015, Hansard page 44:

Dr JENSEN: There are a few other questions that might very well need to be taken on notice as well. The PAO shuttle valve—the polyalphaolefin shutoff valve—was removed due to weight issues. And the DOT&E stated that that caused a relatively significant increase in the vulnerability of the aircraft. In fact, according to the DOT&E, the vulnerability of the aircraft to ballistic battle damage did not meet ORD requirements in that it was more vulnerable to ballistic damage than legacy gen-four fighters. Do you know what the status is with that PAO valve—whether there is any work being done on putting it back effectively? Once again, it is probably something that you will have to take on notice.

Air Chief Marshal Binskin: I think we already answered this at some stage in one of the previous committees, but I think—

Dr JENSEN: Yes, but it is an issue that the DOT&E—

Air Chief Marshal Binskin: That is right. I think it will be easy. In that context, I am sure we answered it. But we will take it on notice and we will get Chris Deeble to provide it.

Dr JENSEN: DOT&E also indicated issues relating to data software loads. Once again, if you could get back, because Chris Deeble is not here.

Air Marshal Brown: I think what we are actually seeing there is the gyro sets because of the amount of fusion that is in there and requires more data to be fed into the aeroplane. Like any new undertaking there is a learning curve on that for the entire system. People are working out exactly what needs to be put into the aeroplane. I think that is where you are coming from.

Dr JENSEN: Yes.

Response:

The removal of the PAO Valve has been raised in previous Director Operational Testing & Evaluation (DOT&E) reports. In response to the 2013 report the US F-35 Program Office provided the following response:

An extensive cost/benefit analysis showed that the addition of a PAO shutoff valve increases F-35 survivability by less than 1% while adding additional development, production reliability and operating costs.

Defence concurs with this analysis and the decision to remove the PAO shutoff valve.

The concerns raised in the 2014 DOT&E report are specific to the US Marine Corps's operational use of Mission Data Loads as a consequence of delays in delivery of laboratory equipment to the US Reprogramming Laboratory. Defence is closely monitoring the reprogramming issues but expects them to be resolved prior to the Initial Operating Capability declaration in 2020.

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Question on Notice No. 14 - Average unit procurement cost of JSF

Dr Jensen asked on 5 June 2015, Hansard page 45:

Dr JENSEN: The last one is a more general one. In terms of both cost and schedule you seem to be indicating that you are very confident that we will achieve IOC in late 2020?

Air Marshal Brown: Yes.

Dr JENSEN: The DOT&E report states that as far as cost is concerned in terms of URFC it says it is quite stable. What is your estimate on what the average unit procurement cost for us will be?

Air Marshal Brown: I might hand over to the DMO on that.

Mr Dunstall: Our estimate at the moment is that our expected average aircraft cost will land at around US\$90 million.

Dr JENSEN: You are talking about URFC, all unit flyway cost.

Mr Dunstall: Yes.

Dr JENSEN: I am asking for the average unit procurement cost.

Air Chief Marshal Binskin: We will take that on notice.

Mr Dunstall: We will have to take that on notice as I do not want to risk giving you the wrong figure. You are talking, obviously, a different term. I am talking the cost when we buy the aircraft through the various LREPs which average around US\$90 million.

Dr JENSEN: I would like the average unit procurement cost if that is okay.

Mr Dunstall: I will take that on notice.

Response:

The average unit procurement cost for Australia's approved 72 F-35A aircraft is estimated to be US \$90 million.

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Question on Notice No. 15 - Removing test points

Senator Fawcett asked on 5 June 2015, Hansard page 46:

CHAIR: To the particular point of them removing test points, have DGTA or ASCAM looked at and understood which points are being removed and are they happy that they will still have the evidence based they need for certification?

Mr Dunstall: I will have to take that on notice, and I will come back to you on that.

Response:

The office of Director Operational Testing & Evaluation recommended reductions in the Block 2B flight test program to enable resources to be applied to the Block 3F program. In line with standard test and evaluation practice, this has rationalised some test points where duplication was evident.

DGTA do not sign off test points, they sign off on testing being conducted and recognise the United States Air Force (USAF) as being competent to conduct test and evaluation. All certification artifacts are subject to review by Defence, including representatives of Air Operations Support Group (AOSG).