

## **Public Accounts and Audit**

### **Parliamentary inquiry – Major Projects Report and Future Submarines Program**

#### **ANSWER TO QUESTION ON NOTICE**

##### **Department of Defence**

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 - Q2 - MRH90 Multi-Role Helicopter - Conroy

**Question reference number:** 2

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

1. What is the current FOC for this project?
2. The MPR's list of issues with the MRH90 project includes a new item at page 186: "The current design of the self-protection weapons system is not meeting capability requirements."

The CASG Quarterly Performance Report for June 2019 says early investigations pointed to a failure sequence of an early configuration tail rotor blade fitted to the majority of the ADF MRH90 fleet.

- a. Was that the final conclusion of the investigation into this incident?
- b. How has the issue been rectified?
- c. How many aircraft will need rectification?
- d. What is the cost?
- e. Will the cost be met by Airbus Australia Pacific?

#### **Answer:**

1. The current Final Operational Capability is December 2021.
- 2a. The recently completed Defence Flight Safety Bureau investigation report indicates that a component of the Tail Rotor Blade known as the locking stop had fractured due to excessive loads. These loads arose from mislocation of a component of the tail rotor during assembly onto the Tail Rotor Blade.

The European Original Equipment Manufacturer (OEM) released a modification requiring replacement of the hardened plastic locking stop with a fibreglass version capable of withstanding larger loads. The associated process also includes utilisation of a new assembly tool which negates the mislocation issues previously encountered.

- b. All 47 Australian MRH90 helicopters have been fitted with a new fibreglass locking stop and now operate with modified Tail Rotor Blades.
- c. Refer response 2b.
- d. The costs associated with incorporating the modification (parts, tooling, labour, etc.) were borne by industry and not tracked by Defence.
- e. The attribution of the cost of rectification is a matter between Airbus Australia Pacific and the European OEM. Costs associated with incorporating the Tail Rotor Blade modification after the incident were not met by Defence.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Defence Major Projects Report and Future Submarines Program**

#### **ANSWER TO QUESTION ON NOTICE**

##### **Department of Defence**

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 -  
Q3 - Current IOC - Conroy

**Question reference number:**

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

What is the current IOC for:

- Offshore Patrol Vessel
- Battlefield Airlift (air 8000 ph 2)
- CMATS
- Collins class communications and electronic warfare improvement program  
(SEA 1439 ph 5b2)
- Helicopter Aviation Training System
- Collins reliability and sustainability
- Night fighting equipment replacement
- Maritime communications
- Anzac air search radar replacement

#### **Answer:**

Refer to the answer to JCPAA Major Projects Report and the Future Submarine Project –  
2 June 2020 – Q1 – Current FOC.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Defence Major Projects Report and Future Submarines Program**

#### **ANSWER TO QUESTION ON NOTICE**

##### **Department of Defence**

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 - Q4  
- Overlander medium and heavy vehicles - Conroy

**Question reference number:** 4

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

1. What is the current FOC for this project?
2. The MPR Project Data Summary Sheet says there is a risk that the vehicles will be affected by State and Territory Governments delaying certification or not issuing permits to access public roads [MPR, p 216].
  - a. Where is Defence at in discussions with State and Territory authorities?
  - b. What permits and certifications are needed?
  - c. Are you confident the permits will be issued?
  - d. What is the timeline for resolving this issue?
  - e. Why did this project slip a further 6 months?

#### **Answer:**

1. Final Operating Capability is planned for December 2023.
- 2a. The provision of permits is an iterative, ongoing activity. Army Headquarters Land Vehicle Safety Cell regularly engage the National Heavy Vehicle Regulator and relevant State and Territory authorities as part of these permit management activities. Relevant State and Territory authorities are issuing permits for Defence oversize and overmass vehicles on request.

2b. Permits are required for all oversize and overmass vehicles, including all LAND 121 PH 3B/5B vehicles. Permits are currently issued via the National Heavy Vehicle Regulator for all states and territories, or independently by Western Australia and the Northern Territory. Certification has been received from Rheinmetall MAN Military Vehicles Australia (the vehicle and module supplier) that the vehicles supplied meet prescribed safety standards, specified in the Australian Design Rules, and identification plate approval has been provided by the Department of Infrastructure, Transport, Regional Development and Communications.

2c. Yes. Defence is confident of obtaining permits for routes where the infrastructure is capable of supporting Defence oversize and overmass vehicles. The LAND 121 PH 3B/5B capability currently has active permits in each State and Territory.

2d. Defence will continue to manage this as an ongoing requirement. The issuing of permits is now considered a business as usual activity, which is managed through well-established processes. As a result, the risk has decreased significantly from High to Low.

2e. There has been no slip to the Project schedule. Initial Materiel Release and Initial Operating Capability milestones were declared as scheduled in December 2018 and 2019, respectively. Final Materiel Release and Final Operating Capability remain on track to be delivered in December 2022 and December 2023, respectively.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Major Projects Report and Future Submarines Program**

#### **ANSWER TO QUESTION ON NOTICE**

##### **Department of Defence**

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 -  
Q5 - Hawkei Protected Mobility Vehicle - Light - Conroy

**Question reference number:**

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

**Question:**

1. What is the current IOC and FOC for this project?
2. Regarding the Hawkei project, the Project Data Summary Sheet in the MPR says:  
“Some capability requirements have not been met by Thales’ current design at this stage of the decision process.” (MPR, p 250)
  - a. What capability requirements were not been met by the design?
  - b. How has this been dealt with – will all the originally-planned capabilities be delivered?

**Answer:**

1. Initial Operating Capability is planned for December 2020 and Final Operating Capability is planned for June 2023.
- 2 a. The capability requirements not met related to vehicle payload (cargo carrying capacity) and crew comfort (Heating Ventilation and Air Conditioning – cabin cooling).
- b. This is dealt with as part of the ongoing Hawkei Verification and Validation program that will confirm the capability to be delivered before entry into Full-Rate Production.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Major Projects Report and Future Submarines Program**

#### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 -  
Q6 - Replacement Replenishment Ships - Conroy

**Question reference number:** Q6

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

1. What is the current IOC and FOC for this project?
2. Regarding the Replacement Replenishment Ships, the MPR says the project used up its contingency funds in 2018-19 due to budgetary pressures [MPR, p 263]. What were the additional cost contingencies incurred in 2018-19?
3. The MPR says one of the contingencies was engaging a commercial crew for the transit of the ships from Spain to Australia [MPR, p 263]. What was the cost of engaging the commercial crew and why was it larger than anticipated?
4. The ANAO says the project is experiencing delays to delivery and approval of integrated logistics support (ILS) and crew training [MPR, p 264]. What has caused these issues?
5. Have both ships been accepted into service yet?
  - a. [If yes] When?
  - b. [If no] When will each ship enter service?
  - c. How much of a delay will that be on original plans?
6. The MPR says the forecast date for Final Operational Capability for the replenishment ships has moved from May 2022 to December 2022 [MPR, p 264]. Why the slippage of seven months?

**Answer:**

1. Initial Operational Capability is forecast for Quarter 3, 2021. Final Operational Capability is forecast for Quarter 4, 2022.
2. \$40.2 million of the approved contingency budget was released in 2018-19 and will be expended over 2019-20 and 2020-21. Contingency budgets are within the approval Government budget and the project remains affordable.
3. The original plan was to use Navy crews to bring the ships to Australia. The use of a commercial crew was identified at second pass as an alternate contingency option. The total cost for delivery by commercial crew forecast to be \$32.6 million, of which \$15.5 million will be met through the application of contingency funding.
4. Navantia experienced early issues in meeting the required standard for Integrated Logistics Support products. These products also underpin the generation of crew training courses. Navantia is now meeting the required standard.
5. No
  - a. Not applicable.
  - b. Ship 1 Quarter 3, 2021 and Ship 2 Quarter 4, 2021.
  - c. Spain declared a COVID-19 State of Alarm on 14 March which forced the closure of the builder's shipyard. With subsequent delays with ramping up production, construction, and testing after the return to work and reduction in productivity due to social distancing, the project is forecasting a six month delay. Defence acknowledges the significant impact to people and businesses to Spain countrywide and the importance of supporting safe return to work practices.
6. At second pass Final Operational Capability was forecast for Quarter 4, 2022. The current forecast for Final Operational Capability remains Quarter 4, 2022. In 2017-18 achieving Final Operational Capability early was a possibility; this is no longer achievable given the impact of the COVID-19 pandemic.



## **Joint Committee Public Accounts and Audit**

Parliamentary inquiry – Major Projects Report and Future Submarines Program

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** JCPAA Major Projects Report and the Future Submarine Project - 02 June 2020 - Q7 – Pacific Patrol Boats (SEA 3036 Phase 1) - Conroy

**Question reference number:** 7

**Senator/Member:** Pat Conroy

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

1. What is the current FOC for this project?
2. Regarding the Pacific Patrol Boats, the MPR Project Data Summary Sheet says:  
The scope of the Pacific Maritime Security Program infrastructure works required exceeds those to be implemented by the SEA 3036 Phase 1 Project (using allocated funding) resulting in the inability for GCPB vessels to dock and remain docked in a safe and secure manner without significant inefficiency at all designated PIC home berths.” [MPR, p 326]
  - a. What types of infrastructure works are needed in Pacific island countries so they can safely and securely berth the new patrol boats?
  - b. How many of the receiving countries need infrastructure upgrades?
  - c. How much will the infrastructure upgrades cost?

#### **Answer:**

1. November 2023
- 2a. Depending on the country, the types of infrastructure works range from minor to major upgrades and can include; shore power connections, fresh water supply and connections, fendering, bollards and gangways, lighting, spare parts storage, wharf structural modifications, additional pilling, wharf extension and dolphins, resurfacing, workshop maintenance, cathodic (rust) protection, harbour dredging and boundary fencing.

- b. All of the participating countries will receive infrastructure upgrades to ensure safe and secure berthing.
- c. The current forecast expenditure is approximately \$43.8 million.

## **Public Accounts and Audit**

Parliamentary inquiry – Major Projects Report and Future Submarine Program

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** JCPAA Future Submarine Project - 27 May 2020 – Q9 - AIC assessment - Patrick

**Question reference number:** 9

**Senator/Member:** Rex Patrick

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Senator PATRICK:** Yes, relating to the questions from both the chair and the deputy chair. You indicated on page 103 and page 69 of the MPR that you were conducting an investigation. What's the status of that investigation, firstly? That's to Mr Fraser.

**Mr Fraser:** Is that about how we might put increased information into the major project review?

**Senator PATRICK:** You said on page 69: Defence is currently investigating ways to actively enhance Australian Industry Capability (AIC) and provide greater transparency into the current status and level of AIC. So my question is: what's the status of that investigation?

**Mr Fraser:** I understand. First of all, I might indicate—I think we've previously announced it—that we've appointed a head of Australian industry capability within the capability acquisition organisation under the minister's guidance to provide that level of information, and we are working up, and have been conducting, an audit and a review of what levels of contribution each of the projects has been achieving. We are under obligation—you've seen some statements to this effect—to strengthen the commercial requirements in contracts to make sure they're truly enforceable and that that work is truly deliverable. What I'm seeking to do through a forum of this and perhaps some others is to give confidence to government, and to the external parties interested in us, about the level of increased Australian industry capability and what we're doing to deliver it.

**Senator PATRICK:** Thank you. You also mentioned in that same paragraph, the fifth paragraph on page 69: ... Defence will establish and implement an AIC Promotion Plan. What's the status of that? Has that been completed and issued?

**Mr Fraser:** Internally, we've conducted a lot of work on this. You'll see it in the third quarter, if I might indicate it in that way.

**Senator PATRICK:** Okay. This is my final question on this topic and is to both Defence and the ANAO, and it goes to a discussion that was had with Mr Hill. Clearly, in order to be able to audit, there have to be some metrics, and I'm just wondering what Defence are considering to be appropriate metrics and whether that would satisfy the ANAO from an audit perspective.

**Mr Fraser:** They're contract metrics and therefore measurable as a normal part of a contract.

**Senator PATRICK:** So you will look to include AIC as part of a contract, but in what way? As a percentage? As a cost? As predefined activities or scope? How are you intending to do that?

**Mr Fraser:** There will be different statements of work. Most of this will be set up by the nature of the project as to how best to deliver it and what's best for us, as the capability group, and for Australian industry. There will be a range of options government will be able to choose from, and then there will be various mechanisms under the contract as to how it might be. There will be specific statements of work, agreements and requirements— contract obligations upon industry to develop and deliver.

**Senator PATRICK:** Finally, and maybe on notice, Mr Fraser, could you provide some details of where you are up to in respect of the audit that you mentioned. What has happened, and who has been engaged in relation to that audit, particularly industry participants?

**Mr Fraser:** I'll take that back to the committee.

**Answer:**

The Minister for Defence Industry announced on 6 February 2020 an Independent Australian Industry Capability (AIC) Audit Program will be established this year. The Independent AIC Audit Program will investigate and report on whether projects valued at greater than \$20 million are meeting their AIC contractual obligations, and increase certainty and visibility of contractual commitments on AIC.

The proposed program is currently under development and will form part of the AIC assurance obligations of Defence more broadly.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))**

#### **ANSWER TO QUESTION ON NOTICE**

##### **Department of Defence**

**Topic:** JCPAA Future Submarine Project - 27 May 2020 - Q10 - Joint Strike Fighter replacement capabilities - Conroy

**Question reference number:**

**Senator/Member:** Pat Conroy

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Why has Beyond Line of Sight not been achieved at FOC? What's the problem? Air Vice-Marshal Roberts: I wouldn't say that there is a problem. In terms of the actual capability, there are significantly different ways of achieving the Beyond Line of Sight operations. There was an original concept that we would include it in the software for the aircraft, but we're looking at how we can achieve it in different ways. The program has currently deferred it as a common capability out into the next software upgrade.

**Mr CONROY:** I just want to get that right. We're spending \$16.5 billion on the Joint Strike Fighters and we're getting less capability. Are we getting a reduction in the cost of the aircraft, or are we paying the same for less capability?

**Air Vice-Marshal Roberts:** I wouldn't characterise it as less capability. When developing all of the requirements across the partner nations for the F-35, we need to agree what the priorities are for the future capability development and the common ones now. So what I would say is that, whilst those capabilities are not currently there, there are other capabilities that have been changed and incorporated into the F-35 for FOC.

**Mr CONROY:** So what additional capabilities are we then getting to replace these two? Air Vice-Marshal Roberts: I think I'd have to take that on notice. It's not something that we have in the public domain about the specific capabilities of the F-35. We do have a process, which is quite thorough, where we go through with all of our partner nations and we agree on the capabilities that will be included in each software and hardware upgrade, essentially, of the F-35, and we compare that to the threats that we have at the time to determine and prioritise the capabilities that we need.

#### **Answer:**

Whilst the Beyond Line of Sight Communication is delayed, Australia's F-35 capability at IOC and FOC is likely to be greater than we had expected at Government Approval in 2014. For example, the F-35 program of record brought forward the implementation of the Auto

Ground Collision Avoidance System (AGCAS) such that all Australian aircraft will have this capability at IOC and FOC. A system such as this is likely to have prevented the incident involving a Japanese aircraft in 2019.

## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** JCPAA Future Submarine Project - 27 May 2020 - Q11 - Beyond Line of Sight Capability - Conroy

**Question reference number:** 11

**Senator/Member:** Pat Conroy

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Has a cost been included for beyond-line-of-sight capability in the classified IIP? I acknowledge that you say we may not actually meet it once we get there.

**Air Vice-Marshal Roberts:** A cost has been included in terms of an estimation for the next phase of the upgrade. We will need to ensure that we trade requirements within that to achieve the best possible air combat capabilities for Australia.

**Mr CONROY:** What is the cost for that phase? I'm happy for you to give a range, as the public IIP gives. What is the value range of that next phase of the Joint Strike Fighter beyond FOC?

**Air Vice-Marshal Roberts:** I'd have to take that question on notice. I don't have that figure in front of me at the moment.

#### **Answer:**

The phase of the AIR6000 Program that will implement the through life upgrades is Phase 6. It is currently unapproved, however, is scoped to fund the through life upgrades for the life of the aircraft to 2053.

The specific cost of the Beyond Line of Sight capability will vary depending on the solution chosen and the timeframe for implementation. Current estimates for development effort are US\$200-300m, with additional costs for aircraft modification.

When other partner nations decided they did not need the BLOS capability in the same timeframe originally envisaged by Australia, we would have been liable to pay the entire development amount, in line with JSF partnership arrangements.

As the partner nations are now considering an enterprise solution in the 2026 timeframe, the development cost is now being shared across the F-35 co-operative partnership. Australia's contribution to this will be in line with our normal share of development costs (approximately US\$5-10m).



## **Public Accounts and Audit**

Parliamentary inquiry – 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** JCPAA Future Submarine Project - 27 May 2020 - Q12 - AIR 3023 Commonwealth Negotiating Provision - Conroy

**Question reference number:** 12

**Senator/Member:** Pat Conroy

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Please take this question on notice: can you provide an answer to the committee on what that provision is—within a range, to protect the negotiating position of the Commonwealth—for Air 3023?

**Air Vice-Marshal Roberts:** Yes.

#### **Answer:**

The 2016 White Paper and Integrated Investment Program has Maritime Strike weapons for Australia's Air Combat Capability as a Project in the A\$1-2bn range.

## **Public Accounts and Audit**

### **Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))**

#### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JCPAA Defence Major Projects Report - 27 May 2020 - Q13 - Through-life sustainment cost - Conroy

**Question reference number:** 13

**Senator/Member:** Pat Conroy

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Let me turn the question around, then. The Major projects report was constructed, and it identified that there had been an increase in the through-life sustainment cost estimates. What was the through-life sustainment cost estimate previously? What was the increase on?

**Air Vice-Marshal Hoffmann:** That would have been on the provision of parts out of the global sustainment solution and engineering. It would have been based on the costs out of the joint project office.

**Mr CONROY:** I understand that, but what was that cost? Can you give me the cost?

**Air Vice-Marshal Hoffmann:** I'd have to take the specific cost on notice.

#### **Answer:**

Initial Sustainment (operating and support) costs were approved by Government in 2014, valued at an estimated \$4.6 billion out to 2024-25 (first 10 years).

Future sustainment cost estimates are continuing to mature as F-35 global and regional maintenance support assignments are made and commercial arrangements established. Defence is currently reviewing operating and support estimates for funding requirements post financial year 2024-25.

Defence are still developing the final sustainment cost estimate for whole of life and will return to Government for subsequent approval in 2021-22 for costs beyond 2024-25.

## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JPCAA Defence Major Projects Report - 27 May 2020 - Q14 - Projection increase - Conroy

**Question reference number:** 14

**Senator/Member:** Pat Conroy

**Type of question:** Spoken,

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Okay; take on notice what the cost was before this increase occurred. So you're saying that this cost increase was identified last year, but that you don't have to go back to government to identify how big that cost is for another two years?

**Air Vice-Marshal Hoffman:** We've got approved funds out to 2024-25 for our sustainment. That's in the ramp-up period as we're growing through two FOCs, so we have sufficient funds at this current time. There is some pressure on those funds. Certainly, the projections produced by the Joint Project Office out across the decade were above what was affordable for us, but we've been working with them in partnership to reduce those costs. That's where we're at.

**Mr CONROY:** Are you able to take on notice how much those projections have increased?

**Air Vice-Marshal Hoffman:** We'll certainly take that on notice and get a response back to you on that, yes.

#### **Answer:**

As in-service sustainment costs have matured across the global F-35A fleet, minor year-on-year changes have been experienced. Current estimates of F-35A sustainment costs do not materially differ from estimates provided to Government in the 2014 approval out to financial year 2024/25.

A program is currently underway within the US military to reduce operating costs by 30%. Many of the savings also apply to Australian costs. Defence, and the entire F-35 enterprise, is contributing to this effort. The F-35 Joint Program Office is making progress towards the target cost reduction.

Defence is currently developing final sustainment cost estimates for funding requirements post financial year 2024/25 and will return to Government for approval in 2021 – 2022.

## **Public Accounts and Audit**

Parliamentary inquiry – Defence Major Projects and Future Submarine Project

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** JCPAA Future Submarine Project - 27 May 2020 - Q15 - Joint Strike Fighter Current Cost Increases - Conroy

**Question reference number:** 15

**Senator/Member:** Pat Conroy

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Mr CONROY:** Are you able to tell me as of today—or some point in the past—what that current cost increase is that you're working to eliminate?

**Air Vice-Marshal Hoffman:** Again, I don't have specific figures here. I'd have to take that on notice.

#### **Answer:**

As in-service sustainment costs have matured across the global F-35A fleet, minor year-on-year changes have been experienced. Current estimates of F-35A sustainment costs do not materially differ from estimates provided to Government in the 2014 approval out to financial year 2024/25.

A program is currently underway within the US military to reduce operating costs by 30 per cent. Many of the savings also apply to Australian sustainment costs. Defence, and the entire F-35 enterprise, is contributing to this effort. The F-35 Joint Program Office is making progress towards the target cost reduction.

## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JPCAA Defence Major Projects Report - 27 May 2020 - Q16 - Beyond-line-of-sight comms and the maritime strike - Patrick

**Question reference number:** 16

**Senator/Member:** Rex Patrick

**Type of question:** Spoken,

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Senator PATRICK:** Can you provide to the committee on notice, please, the agreement or the arrangement that was made between the partners in relation to there no longer being a requirement for the beyond-line-of-sight comms and the maritime strike.

**Air Vice-Marshal Roberts:** Sorry, what are you looking for there? What I'm talking about is a governance system and a series of meetings that occur between the nations that are privy to the F-35 program. I am unsure as to what we could provide, given there are other national interests at play here, not just Australia's. I'll take the question on notice.

#### **Answer:**

Capability Development activities for the F-35 Joint Strike Fighter Co-operative partnership involve all partner nations and individual US services. A total of 8 countries with 10 separate military services.

On a yearly basis, representatives from each of the partner nations support workshops and committees that agree on the common baseline of capabilities for the F-35 aircraft and supporting systems. These are known as capability increments, and replace the previously used Block upgrade terminology. These common capabilities are then developed using funding provided by each nation, on a pro-rata basis calculated from the number of aircraft each country is buying.

Should a partner nation decide they need a capability that no other country wants, then that nation is responsible for the full cost of developing and implementing the capability. Australia had considered doing this for the beyond line of sight capability. When the full cost of that development was estimated, Australia did not believe it represented a value for money proposition and instead agreed to support the development of the common solution, which will still be delivered, but beyond the time-frame of this project proposal

The arrangements and governance associated with above process is detailed in the Memorandum of Understanding (MoU) between all partner nations, known as the Production, Sustainment and Follow-On Development MoU.

## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JCPAA Defence Major Projects Report - 27 May 2020 - Q17 - F-35 Co-operative partnership - Patrick

**Question reference number:** 17

**Senator/Member:** Rex Patrick

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Senator PATRICK:** This is a comment that is in the AGR in relation to F-35. I'll repeat it. Australia's standing and reputation in the international F-35 Co-operative partnership maybe compromised due to inadequate security and cyber protection leading to potential disclosure of sensitive information ... What's your understanding of the basis for that comment about Australia?

**Mr Fraser:** Can I take that question on notice and have a look at it? We are in a sensitive information issue, but I do understand your question and where that's come from. Could I take it on notice, please, and see what we can provide back to you?

#### **Answer:**

The comment referred to is a risk in the project risk log. Risks are identified so that the probability of occurrence and potential impact can be minimised. The risk to standing and reputation in the international program due to inadequate security and cyber protection is being actively managed through collaboration with the Australian Cyber Security Centre, implementation of various internal Defence oversight measures, and an integrated routine training program. The risk has not eventuated. This risk is expected to be enduring for the life of the F-35A program.

## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JCPAA Defence Major Projects Report - 27 May 2020 - Q18 - IIP provision - Kitching

**Question reference number:** 18

**Senator/Member:** Kimberley Kitching

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Senator KITCHING:** What is the IIP provision for the JSF for the whole-of-life sustainment? Mr Fraser?

**Mr Fraser:** I'm just pausing as I work out how best to answer that question. I'll pause for a second and defer to my colleagues as to whether we've got immediate information for you. I might have to take that on notice.

#### **Answer:**

Initial Sustainment (operating and support) costs were approved by Government in 2014, valued at an estimated \$4.6 billion out to 2024-25 (first 10 years).

Future sustainment cost estimates are continuing to mature as F-35 global and regional maintenance support assignments are made and commercial arrangements established. Defence is currently reviewing operating and support estimates for funding requirements post financial year 2024-25.

Defence are still developing the final sustainment cost estimate and will return to Government for approval subsequent approval in 2021 – 2022 for costs beyond 2024-25.



## **Public Accounts and Audit**

Parliamentary inquiry – Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))

### **ANSWER TO QUESTION ON NOTICE**

#### **Department of Defence**

**Topic:** JCPAA Defence Major Projects Report - 27 May 2020 - Q19 - Sustainment over whole of life JSF - Kitching

**Question reference number:** 19

**Senator/Member:** Kimberley Kitching

**Type of question:** Spoken,

**Date set by the committee for the return of answer:** 10 June 2020

#### **Question:**

**Senator KITCHING:** I'm happy for you to do that. Could I also get, on notice, a number per year for sustainment over whole of life?

**Mr Fraser:** I understand your question. We'll respond to you as to how we're making provision for the sustainment of the Joint Strike Fighter.

#### **Answer:**

Initial Sustainment (operating and support) costs were approved by Government in 2014, valued at an estimated \$4.6 billion out to 2024-25 (first 10 years).

Future sustainment cost estimates are continuing to mature as F-35 global and regional maintenance support assignments are made and commercial arrangements established. Defence is currently reviewing operating and support estimates for funding requirements post financial year 2024-25.

Defence are still developing the final sustainment cost estimate for whole of life and will return to Government for subsequent approval in 2021-22 for costs beyond 2024-25.