

## **JCPAA Review of Major Projects Report 2012-13 – 20 March 2014**

### **Question on Notice No. 2 – Consistency in Reporting**

**Mr Southcott** asked on 20 March 2014, Hansard p.13:

Regarding consistency between how projects are reported in the budget, and how they are reported in the Major Projects Report (MPR): There are a number of projects that have different names in the MPR, and there are some projects for which the budget papers split the project into two parts. It just makes it hard to make a direct comparison between those from the budget and the MPR.

Mr King - We will provide that.

#### **Response:**

Provided at Annex A is a comparison table detailing the different naming conventions between the Portfolio Budget Statements 2012-13 and the 2012-13 Major Projects Report.

## JCPAA Review of Major Projects Report 2012-13 – 20 March 2014

### Question on Notice No. 3 – Function of Report

**Ms Brodtmann** provided in writing:

On page 11 of the ANAO report, the Major Projects Report is said to review and analyse “selected major Defence equipment acquisition projects...managed by the DMO.” While I welcome the transparency and accountability provided by the report, its title and function is somewhat misleading for some “projects”, and I provide the following examples.

- Armidale class patrol boats – these have been operational for nearly a decade and the Australian contains a report (24 March 2014, p.1) about Navy’s possible request for a replacement. On page 102, the MPR acknowledges these received FOC on 18 October 2012.
- Super Hornet – these are also operational and reported on page 102, as receiving FOC in December 2012 and FMR in January 2013 for Phase 1 and FMR in September 2012 and FOC in December 2012 for Phase 2.
- Collins Class Submarines – so too, the submarines have been operational for years.
- FFG upgrades – the FFGs have been successfully serving in Middle East for years.

- (a) Why does a full cycle docking system valued at \$10.6 million (see page 423) appear in the MPR?
- (b) Why does an anti-ship weapon system upgrade valued at \$4.2 million appear in the MPR?
- (c) Why are these projects being reported as acquisition projects, when common sense would suggest they fall into the sustainment side of the ledger?
- (d) Why do the above examples not suggest the need for a separate sustainment report?

### **Response:**

- (a) The Full Cycle Docking (FCD) is not a project. It is the name of a maintenance period which provides the access to the submarine to implement project scope. The FCD is the major maintenance period and occurs every ten years. It is part of the fleet schedule management program and aligns to the usage and upkeep cycle. Its purpose is to support operational availability targets for the Collins Class Submarine which has been established as the foundation for achieving the international benchmark for availability and assuring that two deployable submarines are consistently available for tasking. The \$10.6 million was the planned 2012-13 in-year budget to meet the contract obligations for SEA 1439 Ph3 Collins Reliability and Sustainment, which has a project valued at \$411.4 million.
- (b) The \$4.2 million was the planned 2012-13 in-year budget for SEA 1390 Ph2.1 Guided Missile Frigate Upgrade Implementation, a project valued at \$1.5 billion. This type of expenditure is indicative of projects in their later stages of acquisition.

- (c) These projects have little overall scope remaining to deliver and are providing a front-line capability for Defence. The Defence Materiel Organisation would welcome the JCPAA agreement to remove these older projects from the Major Projects Report.
- (d) Collins Class Submarines and FFG were included in the Portfolio Budget Statements, Portfolio Additional Estimate Statements and the Defence Annual Report as two of the top 20 sustainment products. As previously advised (Defence's response to JCPAA Report No 436, Recommendation No 5 refers), Defence is concerned about exposing measures of sustainment effectiveness through the disclosure of sustainment activities.

## **JCPAA Review of Major Projects Report 2012-13 – 20 March 2014**

### **Question on Notice No. 4 – Improvements to Reporting**

**Ms Brodtmann** provided in writing:

Given some of the “projects” that appear in the MPR are at the end of their life or for all intents and purposes in the sustainment phase, can DMO suggest a better way of ensuring we maintain transparency and accountability on what is essentially upgrades or maintenance?

#### **Response:**

A better option may be to allow, within the approved Major Projects Report Guidelines, projects to be removed on completion of Final Materiel Release (FMR). However, the Guidelines could also contain criteria that would enable a project to be removed earlier than FMR based on factors such as remaining expenditure on acquisition, expenditure on sustainment, and the criticality on capability of deliverables yet to be performed to achieve FMR.

In 2013-14 the Portfolio Budget Statements and the Defence Annual Report were changed to provide additional detail for the top 30 sustainment products by planned expenditure, and now include advice on the extent to which the planned expenditure was achieved. These changes were introduced to increase the level of transparency for sustainment. The Committee may also wish to review the 2012-13 Defence Annual Report where pages 176 to 203 include information relating to the Defence Materiel Organisation, and specifically pages 192–200 where additional information has been included for the Management of Capability Sustainment products.

## **JCPAA Review of Major Projects Report 2012-13 – 20 March 2014**

### **Question on Notice No. 5 – Effective Reporting**

**Ms Brodtmann** provided in writing:

How can the MPR effectively report on projects where some of the systems or units have been acquired and are operational (and moved into sustainment), while remaining elements of the same project remain incomplete and are firmly in the acquisition phase?

#### **Response:**

There is a period when the acquired capability transitions into sustainment. This normally occurs when the Capability Manager declares Initial Operational Capability (IOC) meaning that the capability is sufficiently mature that it can be operationally deployed. Capability that can be operationally deployed is then managed through sustainment. Acquisition of the remaining materiel is managed through the project until completion of Final Materiel Release. The period between IOC and Final Operational Capability is commonly referred to as the transition period. The Major Projects Report (MPR) effectively provides transparency of the funding and expenditure for acquisition elements, which is managed separately from sustainment. Additional reporting on sustainment products is now provided through the Defence Annual Report.

While these projects can be reported in the MPR effectively, the value of retaining them in the MPR is questionable, especially when there are only small acquisition elements to be completed.

Annex A to QN14-000167

Project Number	Portfolio Budget Statements 2012-13	Project Name in 2012-13 MPR
SEA 4000 Phase 3	Air Warfare Destroyer Build	Air Warfare Destroyer
AIR 5077 Phase 3	Airborne Early Warning and Control Aircraft	Airborne Early Warning & Control Aircraft
AIR 9000 Phase 2, 4 & 6	Multi Role Helicopter	Multi Role Helicopter
AIR 5349 Phase 1 & 2	Bridging Air Combat Capability (Phase 1)	Bridging Air Combat Capability
	Bridging Air Combat Capability (Phase 2)	
JP 2048 Phase 4A & 4B	Amphibious Deployment and Sustainment	Amphibious Deployment and Sustainment
AIR 9000 Phase 8	Future Naval Aviation Combat System Helicopter	Future Naval Aviation Combat System
AIR 6000 Phase 2	Joint Strike Fighter Aircraft	New Air Combat Capability
AIR 87 Phase 2	Armed Reconnaissance Helicopter	Armed Reconnaissance Helicopter
AIR 5376 Phase 2	Not Reported in PBS	F/A-18 Hornet Upgrade
AIR 5402	Air to Air Refuelling Capability	Air to Air Refuelling
SEA 1390 Phase 2.1	Not Reported in PBS	Guided Missile Frigate Upgrade
LAND 116 Phase 3	Bushmaster Protected Mobility Vehicles	Bushmaster Protected Mobility Vehicle
LAND 121 Phase 3	Field Vehicles and Trailers – Overlander Program	Field Vehicles and Trailers
JP 2008 Phase 4	Next Generation Satellite Communications System	Next Generation SATCOM Capability
SEA 1448 Phase 2B	Anzac Ship Anti-Ship Missile Defence	Anzac Ship Anti Ship Missile Defence
JP 2043 Phase 3A	Not Reported in PBS	High Frequency Modernisation
AIR 9000 Phase 5C	Not Reported in PBS	Additional Chinook Helicopter
SEA 1444 Phase 1	Not Reported in PBS	Armidale Class Patrol Boat
SEA 1439 Phase 4A	Not Reported in PBS	Collins Replacement Combat System
JP 2072 Phase 2A	Battlespace Communications Systems (LAND)	Battlespace Communications Systems (Land)
JP 2008 Phase 5A	Ultra High Frequency Satellite Communications	Indian Ocean UHF SATCOM Capability
SEA 1429 Phase 2	Not Reported in PBS	Replacement Heavyweight Torpedo

Annex A to QN14-000167

SEA 1439 Phase 3	Not Reported in PBS	Collins Reliability and Sustainability
SEA 1390 Phase 4B	Not Reported in PBS	SM-1 Missile Replacement
SEA 1448 Phase 2A	Not Reported in PBS	Anzac Ship Anti Ship Missile Defence
LAND 17 Phase 1A	Artillery Replacement 155MM Howitzer	Artillery Replacement
AIR 5418 Phase 1	Not Reported in PBS	Follow-on Stand Off Weapon
LAND 75 Phase 3.4	Battle Management System	Battlefield Command Support System
LAND 19 Phase 7A	Counter Rocket, Artillery & Mortar (C-RAM)	Counter Rocket, Artillery and Mortar