

Joint Committee on Public Accounts and Audit

**Inquiry into Financial Management and Equipment
Acquisition at Defence and the DMO**

Responses to Questions taken on Notice 15 August 2007

Question 1

Through-life support costs

Senator Bishop, Hansard, 15 August 2007, p 16

Could Defence provide an update on the negotiations concerning the through-life support costs of Australian Aerospace?

RESPONSE

On 17 August 2007 Australian Aerospace submitted requests for Contract Change Proposals to the Through-Life Support contract for the repair and overhaul of Armed Reconnaissance Helicopter components and a costing policy on the price of spare parts. The DMO is considering the proposals.

Question 2

Armed Reconnaissance Helicopters - simulators

Senator Bishop, Hansard, 15 August 2007, p 16

- a) Could Defence provide an update on the anticipated delivery on the ARH simulators?
- b) Could Defence advise why the liquidated damages for the simulators are \$10 million, given their cost is \$150 million?

RESPONSE

- a) Defence expects to take delivery of the full flight and mission simulator in December 2007. This will be a graduated acceptance in order to commence Armed Reconnaissance Helicopter Pilot Transition Training using that device from January 2008.
- b) The value of liquidated damages claimable by the Government was an outcome of initial contract negotiations with Australian Aerospace. As liquidated damages represent envisaged costs, there is no proportional relationship between the contracted price of the simulator and the total amount of liquidated damages that may be claimed. The \$10 million figure represents a value up to a capped maximum for the maintenance and operating costs of flying the real aircraft for training that was planned to be conducted in the simulator.