

THALES

A U S T R A L I A

Building 104
Garden Island, NSW 15011
Australia
Tel +61 (0)2 9562 0000
Fax +61 (0)2 9562 0000
www.thalesgroup.com.au

Submission No:8.....

15 November 2006

Mr Anthony Smith
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Chairman

Re: Review Response on Transcript of FFG Upgrade Project Hearing

As you may know, ADI Limited commenced trading under the registered business name of Thales Australia on 16 October 2006 as part of a corporate re-branding exercise to reflect the recent acquisition by Thales Australia Holdings Pty Ltd. This business name registration does not affect the company name, ABN or ACN of ADI, each of which remains unchanged.

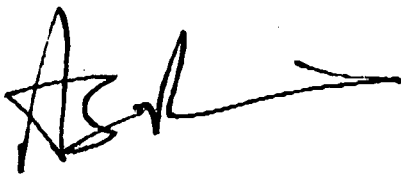
Thales Australia appreciates this opportunity to submit this response on the transcript of the Joint Committee of Public Accounts and Audit hearing on the FFG Upgrade Project held on 12 October 2006.

We also enclose an FFG Upgrade Delivery Schedule Table that has been amended, to reflect that under the FFG Upgrade contract Thales delivers all supplies and products to the DMO. For clarity I have included the definitions of key dates as well as the current contracted delivery date information.

However, and more importantly, since the hearing ADI has continued with the delivery strategy for the Lead Ship and has completed the largely paper work exercise described at the hearing. Consequently, ADI considers that it is in a strong position to achieve the Provisional Acceptance of HMAS SYDNEY as planned under the current contract. This significant progress reflects the large investment in the revised structure underpinned by the key processes of Project Management that have been implemented within the company since my arrival in February 2005.

Furthermore, as a fellow of the College of "Complex Project Managers", together with the DMO we intend to ensure lessons learnt from this project coupled with Thales' considerable experience will be deployed in the best interests of all similar programs.

Yours faithfully



Ali BAGHAEI
VP Thales Australia Naval

Enclosures

1. Joint Committee of Public Accounts and Audit – Proof Committee Hansard with tracked changes.
2. FFG Upgrade Project Delivery Schedule, as at 31 October 2006 - amended

Page 7

Underlined information is restricted and should have been removed prior to placing on Public record

Additions**Page 15**

ADI did not have the opportunity of clarifying this point as Senator Bishop left the room shortly after . ADI would like to add for clarification:

All of the upgraded systems on the Lead FFG are functioning as specified, their performance has been demonstrated through the conduct of a full suite of system and rigorous operational scenario tests. These formal tests were witnessed by the DMO and RAN and stressed the full spectrum of FFG capability including Gun and Missile firings and Submarine detection. All systems will be offered to the DMO for acceptance at Provisional Acceptance. Known defects and deficiencies will be highlighted with a plan for rectification in accordance with the conditions of the contract."

Questions on Notice**Page 18**

The EVM system established for the FFG UP contract by ADI was created in accordance with Defence Standard DEF(AUST) 5655 and implemented in accordance with DEF(AUST) 5657. Therefore the oversight and surveillance requirements were satisfied having met the criteria outlined within these Defence Standards to allow payments to be processed by the DMO. The adherence to standards approach used ensured that the EVMS processes were immaterial to individuals engaged at that time."

Page 19#1

This is really for the DMO (FFG UP PA) to respond.

Page 19#2

This is really for DMO FFG UP (PA) to respond

Page 26

As has been stated in the ADI opening remarks ADI has learnt from the challenges presented within this complex Program to date and some of those challenges were highlighted in the ANAO report under review by the committee. Firstly, ADI has reinvigorated a disciplined approach to Project

Management with a focus on systems engineering personnel skill sets; ADI has restructured and recruited new and experienced Project and other specialist Managers to fill key roles in augmentation of the organic expertise. This initiative has been underpinned by a large investment in external Project Management training and the attainment of professional accreditation. Secondly, ADI initiated a new regime of system integration beyond the obligations of the contract to enhance the delivered requirements to the end user the Royal Australian Navy. Thirdly, ADI developed and implemented with the DMO's full support, a strategy that would ensure the delivery of the contracted functionality within agreed timeframes to meet the overall objectives of this contract.

None of this would be possible without the close working relationship developed with the DMO and I can assure you that ADI will continue to work closely and co-operatively with the DMO to ensure that the contract is delivered to meet the desired outcomes of the Commonwealth.

FFG UPGRADE PROJECT DELIVERY SCHEDULE, as at 31 October 2006.

Delivered Item see Note 1	Scheduled Provisional Acceptance Date, as at July 2000 see Note 2	Contractor Delivery to DMO (Handback*)	Revised Provisional Acceptance ** by DMO (CCP0255)	Acceptance*** By DMO	Final Acceptance**** by DMO see Note 3
Lead FFG Upgrade	17 May 2003	28-Apr-06 (Handback)	15-Dec-06	18-Nov-08	31-Dec-09
2nd FFG Upgrade	16 January 2004	24-Apr-07 (Handback)	12-Oct-07	18-Nov-08	31-Dec-09
3rd FFG Upgrade	11 July 2004	10-Mar-08 (Handback)	26-Aug-08	18-Nov-08	31-Dec-09
4th FFG Upgrade	5 January 2005	11-Dec-08 (Handback)	3-Jun-09	3-Dec-09	31-Dec-09
Team Trainer	4 March 2005	N/A see Note 4	15-Feb-07	31-Dec-09	31-Dec-09
Warfare Systems Support Centre (WSSC)	4 June 2004	N/A see Note 4	18-Nov-08	31-Dec-09	31-Dec-09
Upgraded Software	4 May 2004 (Acceptance)	N/A see Note 4	N/A	18-Nov-08	31-Dec-09
Long Lead Spares	17 May 2003	N/A see Note 4	2-Jun-05	31-Dec-09	31-Dec-09
Operator Training	July 2002	N/A see Note 4	N/A	N/A	N/A

Note 1. This table is based upon the Items listed in the Price & Delivery Schedule - Attachment A, Schedule 1. A number of other Items are now in the current Schedule 1 list. Dates are based upon Attachments A, D & L, as applicable for Handback, Provisional Acceptance and Acceptance.

Note 2. Audit Report No. 45 2004/2005, Management of Selected Defence System Program Offices, p.72, Table 7.1.

Note 3. Original Contract (1 June 1999) the Contract Final Acceptance date was September 2006.
CCP0086 (CA0112 29 April 04) changed Contract Final Acceptance date to October 2008.
CCP0255 (CA0185 2 June 06) changed Contract Final Acceptance date to 31 December 2009. (RAN Caveat of no more than 2 FFGs in Upgrade at any one time)

Note 4. N/A as Handback only applies to FFG ships.

* **Handback** means the return of an FFG to the Commonwealth, including for the operational requirements of the RAN (which use shall not constitute Provisional Acceptance or Acceptance under the Contract)

** **Provisional Acceptance** means the certification by the Project Authority that the Contractor has fulfilled its contractual obligations in respect of any upgraded FFGs or upgraded facilities listed on a Supplies Release Note (SG8), subject to any omissions or defects listed on that SG8, and that those upgraded FFGs or upgraded facilities conform with the requirements of the Contract, and Provisional Acceptance is subject to Acceptance and Final Acceptance. Provisional Acceptance is signified by the Project Authority signing an SG8.

*** **Acceptance** means the certification by the Project Authority that the Contractor has fulfilled its contractual obligations in respect of any item or items of the Supplies or for an upgraded FFG or upgraded facility or Upgraded Software listed on an SG1, subject to any omissions or defects listed on that SG1, and that those Supplies or upgraded FFG or upgraded facility or Upgraded Software conform with the requirements of the Contract, and Acceptance is subject to Final Acceptance.

**** **Final Acceptance** means the certification by the Project Authority that the Contractor has fulfilled all its contractual obligations in respect of achieving Acceptance of the Upgraded FFGs, Acceptance of the Upgraded Facilities, Acceptance of the Upgraded Software and Acceptance of those Supplies required to be supplied prior to Final Acceptance, subject to any omissions or defects listed on an SG1, and that the FFGs, facilities, Upgraded Software and all of the Supplies conform with the requirements of the Contract. Final Acceptance is signified by the Project Authority signing an SG1.