



Australian Government
Department of Defence

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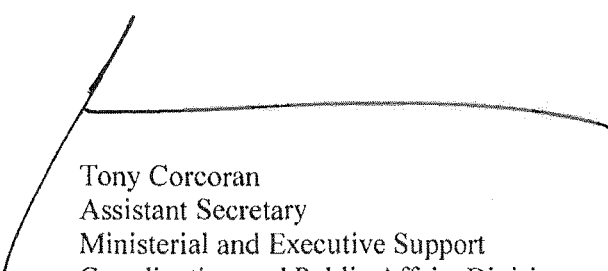
Dr Kris Veenstra
Secretary
Joint Committee of Public Accounts
and Audit
Parliament House
CANBERRA ACT 2600


Dear Dr Veenstra

I am pleased to enclose responses to questions on notice from the 1 March 2007 hearing into Financial Management and Equipment Acquisition at Defence and the DMO. These responses have been cleared by the Minister for Defence.

If you have any questions or concerns, please contact Ms Sarah Tink, A/g Director Statutory Reporting and Accountability, on (02) 6265 6277.

Yours sincerely


Tony Corcoran
Assistant Secretary
Ministerial and Executive Support
Coordination and Public Affairs Division
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Joint Committee on Public Accounts and Audit

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

Hearing 1 March 2007 – Responses to Questions taken on Notice

Question 1

ARH

Dr Jensen, Hansard 1 March 2007, p. 6

Could you provide the Committee with a list of variations to the Armed Reconnaissance Helicopter contract after the initial contract was signed?

RESPONSE

Table 1.A, Acquisition Contract Change Proposals (All) details the variations to the Armed Reconnaissance Helicopter Acquisition contract since the contract was signed. Table 1.B, Through Life Support Change Proposals (All), provides similar details for the Through Life Support Contract. In total there have been 73 changes to the acquisition contract and seven changes to the Through Life Support Contract approved by the Commonwealth after the initial contract was signed. Eighty-two per cent of the agreed changes are administrative in nature and incurred no cost. All cost increases have been within Project Approval and are addressed in the response to Question 2.

Table 1.A - ACQUISITION CONTRACT CHANGE PROPOSALS (ALL)	Initiated	Approved	Cost
EWMSS (OPS) Operating System Change from Windows 2000 to Windows XP	AA	No	\$164,888
Provision of Digital High Speed Cameras for the IARH (under review)	AA	No	\$191,040
Provision of Video Telemetry capability for the IARH (under review)	AA	No	\$344,802
Digital High Speed Camera Interface for the IARH (under review)	AA	No	\$483,152
Provision of a Differential GPS System for the IARH (under review)	AA	No	\$661,276
Interface between JEWD and the EWMSS Component	AA	No	\$1,613,298
Approved S&TE PL2	AA	No	\$15,000,000
Approved Provisioning Spares List RPSL 3-1	AA	No	\$57,000,000
CMP Delivery Schedule	AA	No	No
CM-001 Delivery Schedule	AA	No	No
CDRL - Configuration Management CDRs	AA	No	No
Shift in Milestone 73	AA	No	No
Contract Change Associated with Payment of Incentives	AA	No	No
Change of IARH Serial Number from ARH 11 to ARH 1	AA	No	No
ATD Rotor Blade Malfunctions	AA	No	No
ATD Blown Tyre Effects Changes	AA	No	No
Update of United States PV Indices (under review)	AA	No	No
Amendment Required to Intellectual Property Records Attachment Q Annex A CDR(ACQ)-COM-004 (under review)	AA	No	No
Virtual Avionics System Trainer and Mechanical System Trainer	CoA	No	No
Formal Qualification Review	CoA	No	No

GME #10 MIL-STD-2525B	CoA	No	No
Declassification 1	CoA	No	No
Visual Database Operational Area	CoA	No	No
Low Fidelity Areas	CoA	No	No
Visual Database Simple Airfield Simulation	CoA	No	No
Admin Changes to ATD Spec	CoA	No	No
Army Pilot Continuum	AA	Yes	\$229,596
EWMSS (OPS) RLM Library Generation	AA	Yes	\$665,894
GME Power Options	AA	Yes	\$707,238
Sand Filters for ARH	AA	Yes	\$2,333,880
Highlight Brightness	AA	Yes	\$3,246,000
Approved RPSL 2B	AA	Yes	\$3,264,081
Enhanced ARH FFMS FoV & FFMS-BC Motion	AA	Yes	\$7,486,683
Ground Communications Suite Courseware Development	CoA	Yes	\$70,000
UET Functional Specification Change	CoA	Yes	\$237,852
Introduction of the new crypto component source for GPS receiver	CoA	Yes	\$683,377
Aeronautical Data	CoA	Yes	\$917,500
GME Hardware List	CoA	Yes	\$2,778,534
GME Video Replay	CoA	Yes	\$4,917,946
Rockwell Collins removal from Nominated Sub Contractor List	AA	Yes	No
Hazardous Substances and Ozone Depleting Substances	AA	Yes	No
Level Of Repair Analysis (LORA) - CDR(ACQ)-ILS-003	AA	Yes	No
Change to Subcontractors names	AA	Yes	No
Creation of CDR EM-087	AA	Yes	No
ADAASS CDR(ACQ)-ILS-014	AA	Yes	No
IFF Auxiliary CP	AA	Yes	No
EWS Threat Display	AA	Yes	No
External Lights	AA	Yes	No
AGM SUBSYS DISP ACQUISIT	AA	Yes	No
Presentation of the imagery	AA	Yes	No
Harmonised Verification method of ARH-TIGER	AA	Yes	No
Simulation Mode	AA	Yes	No
AA Payment Milestone Schedule	AA	Yes	No
IP Deed Update	AA	Yes	No
Change of HERP Standard for GCS	AA	Yes	No
TDFS Cleanup	AA	Yes	No
Visibility Requirements Haze, Fog & Storm Simulation	AA	Yes	No
Sea state and ship modelling	AA	Yes	No
Simulation, Ammunition and fuel freeze	AA	Yes	No
EVM Cost Performance Reporting Cycle	AA	Yes	No
Split of Payment Milestone 42	AA	Yes	No
ATD Visual Database Change	AA	Yes	No
Authorised Data List Delivery Requirements	AA	Yes	No
Clarification of Harmonised Verification Method of ARH-Tiger	AA	Yes	No
GTD CDR Milestone Payment 27 Split	AA	Yes	No
Amendment of Ownership of Foreground Intellectual Property of GTDs from TT&S to AA	AA	Yes	No
Removal of "ADF TLS Measures in Place" in ISD Milestone 52 Achievement Criteria	AA	Yes	No

Draft Certificate of Conformance for Aircraft Delivery and Acceptance	AA	Yes	No
Armoured Personnel Carrier and Building Type Targets Specification Modifications	AA	Yes	No
GME Requirement 5766 Means of Compliance	AA	Yes	No
ATD Visual Entity Model Change	AA	Yes	No
Update of French Price Variation Indices	AA	Yes	No
Changes to Payment Milestone 119	AA	Yes	No
Removal of Marshalling Training Competency Requirement	AA	Yes	No
ATD Visual Entity Model Change	AA	Yes	No
Additional Computers for CBT Classrooms	AA	Yes	No
COC (ACQ) Attachment J Part 1 Table 1 (IP Schedule)	AA	Yes	No
GTD Milestone 58 Payment Split	AA	Yes	No
Deletion of requirement 5797 and deletion of GTO 261 Environmental Control System	CoA	Yes	No
Aircraft 1 and 2 Delivery and Acceptance	CoA	Yes	No
EWMSS (Ops): Removal of Requirement 473	CoA	Yes	No
LSAR DED Population Tailoring	CoA	Yes	No
Administrative Amendments	CoA	Yes	No
Human Engineering CAWG No.1	CoA	Yes	No
Incorrect reference within CDR(ACQ)-EM-042 ASIMP	CoA	Yes	No
Establishment of Price Variation Formula Indices and Variation to French Material Index	CoA	Yes	No
20 litre water requirement	CoA	Yes	No
Collective Jettison Button Guard	CoA	Yes	No
LRFD Returned Energy	CoA	Yes	No
Removal of ACP123 Support from GME	CoA	Yes	No
HDLC	CoA	Yes	No
ASMTF	CoA	Yes	No
ACSI 61(C)	CoA	Yes	No
KY-100	CoA	Yes	No
MIL-STD-464	CoA	Yes	No
VPLGR	CoA	Yes	No
Incentive Payment - Performance of Hellfire System	CoA	Yes	No
Use of CAMM2	CoA	Yes	No
Admin Changes to GTDSpec	CoA	Yes	No

Table 1.B - THROUGH LIFE SUPPORT CONTRACT CHANGE PROPOSALS (ALL)	Initiated	Approved	Cost
TLS CCP Attachment R	AA	No	No
MMS - CAMM to CAMM2	AA	No	No
Draft Relocation of ASSC -Tiger From Sydney to Brisbane	AA	No	No
Replacement of Contents of Attachment J to CAPO 338397	AA	No	No
Attachment F (Price Basis)	AA	No	No
RETURN OF DK/FAK – time frame for return of FAK /DK	AA	No	No
Attachment A, Section 2, Annex J – INTELLECTUAL PROPERTY (IP) RECORDS (under review).	AA	No	No

Correction to TF2! Pre-Implementation Costing - Feb 02 to Mar 02	AA	No	\$900,000
Approved S&TE PL2	AA	No	\$4,800,000
Contract Changes to Attachment E "Pricing Schedule" (TFI2)	AA	No	\$11,200,000 p.a (Year 5 mature stage)
Contract Changes to Attachment A Statement of Work and Attachment E Pricing Schedule (TFI2)	AA	No	\$12,400,000 p.a (Year 5 mature stage)
TLS Attachment A Statement of Work and Attachment E Pricing Schedule (TFI2)	AA	No	\$33,200,000 p.a (Year 5 mature stage)
Corrections of Errors to Attachment A 'Statement of Work' and Attachment E 'Pricing' Schedule (TFI2)	AA	No	\$400,000 p.a (Year 5 mature stage)
Support for the IAC	AA	No	\$800,000 p.a (Year 5 mature stage)
CAMM2	CoA	No	No
GME Hardware List (Deployable)	CoA	No	No
Administrative Changes	AA	Yes	No
Attachment F "Price Basis"	AA	Yes	No
Change of Nominated point of contact for Delivery of AIR 87 CAPO 338397 Correspondence	AA	Yes	No
Removal of Certificate of Possession requirement and inclusion of Stocktake program deliverable	AA	Yes	No
COC (TLS) Attachment G Part 1 Table 1 (IP Schedule)	AA	Yes	No
TLS CCP Attachment R Support & Test Equipment	AA	Yes	\$8,000,000
GME Video Replay	CoA	Yes	\$50,000 p.a (mature stage)

Question 2**ACTION AREA: CEO DMO****Contract change proposals – costs**

Miss Jackie Kelly, Hansard 1 March 2007, p. 23

Could you provide the Committee with a breakdown of the cost of contract change proposals for the Armed Reconnaissance Helicopter? Could this be broken down into requests for change by Defence and by industry?

RESPONSE

Table 2.A, Acquisition Contract Change Costs, details the cost variations to the Armed Reconnaissance Helicopter Acquisition contract that have been agreed since the contract was signed. Table 2.B, Through Life Support Change Costs, provides similar details for the Through Life Support contract.

In total there have been 73 changes to the acquisition contract and seven changes to the Through Life Support Contract approved by the Commonwealth after the initial contract was signed.

Thirteen changes to the Acquisition contract have been agreed to the value of \$27.538m, which represents 2 per cent of the original approved contract budget of \$1.2 billion. The remaining 60 changes are administrative in nature and incurred no cost. Six of the changes were requested by Defence and seven by industry.

Two changes to the Through Life Support Contract have been agreed, comprising a one-off payment of \$8.0m and an ongoing cost of \$0.05m per year. One change was requested by Defence and the other by industry. All increases have been within Project Approval.

Table 2.A Acquisition Contract Change Costs	Initiated	Approved	Cost
Army Pilot Continuum	AA	Yes	\$229,596
Sand Filters for ARH	AA	Yes	\$2,333,880
GME Power Options	AA	Yes	\$707,238
Highlight Brightness	AA	Yes	\$3,246,000
Enhanced ARH FFMS FoV & FFMS-BC Motion	AA	Yes	\$7,486,683
EWMSS (OPS) RLM Library Generation	AA	Yes	\$665,894
Approved RPSL 2B	AA	Yes	\$3,264,081
Introduction of the new crypto component source for GPS receiver	CoA	Yes	\$683,377
UET Functional Specification Change	CoA	Yes	\$237,852
GME Hardware List	CoA	Yes	\$2,778,534
Ground Communications Suite Courseware Development	CoA	Yes	\$70,000
GME Video Replay	CoA	Yes	\$4,917,946
Aeronautical Data	CoA	Yes	\$917,500
Total			\$27,538,582

Table 2.B Through Life Support Change Costs	Initiated	Approved	Cost
TLS CCP Attachment R Support & Test Equipment	AA	Yes	\$8,000,000
GME Video Replay	CoA	Yes	\$50,000 p.a (mature stage)