

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
SUPPLEMENTARY BUDGET ESTIMATES 2014-15

Finance Portfolio

Department/Agency: Department of Finance

Outcome/Program: 2/2.1

Topic: Air Warfare Destroyer Program Review (Winter Review)

Senator: Ludwig

Question reference number: F12

Type of question: Written

Date set by the committee for the return of answer: Wednesday, 31 December 2014

Number of pages: 2

Question:

With regard to the Air Warfare Destroyer Program Review (Winter Review):

1. What was the cost of the review?
2. When will the review be available to the public to read?
3. The review recommended changing the management team:
 - a) Has the change to the management team occurred? If yes:
 - b) How many people are on the new management team?
 - c) How was this new team selected?
 - d) Is the contract/salary for the new team members costing the government more than the previous arrangement? If yes, please detail.
 - e) Has the new team managed to reduce the cost of the overall project at this stage? If yes, please detail.
 - f) Has the new team managed to reduce the time it will take to complete the Air Warfare Destroyers? If yes, please detail.
 - g) Are there any provisions in the contracts of the new management team that link their continued employment with outcomes? If yes, please detail.
 - h) Are there any provisions in the contracts of the new management team that link bonus payments with outcomes? If yes, please detail.
 - i) Were there any costs associated with ending the contracts of the old management team? If yes, please detail.
4. Is the government reconsidering future ship building projects in light of the Winter Review? (Such as the next generation submarines and the 8 next generation frigates.) If yes:
 - a) What benchmarks are the government looking at to determine the future of ship building in Australia? Please detail.
 - b) How many Australians are currently employed by the Australian ship building industry? (break down by sector construction, maintenance etc)
 - c) What is the timeframe for decision to be taken on the Winter Review?
 - d) What is the timeframe for any change to government policy on the building of ships in Australia?
 - e) Has the government considered, or is considering any assistance measures for workers who might be transited to other types of employment if the Australian industry is no longer required to build ships domestically? Please detail.
 - f) Has the government sought or received any advice regarding security concerns that would arise should Australia no longer produce or be able to produce ships domestically in the future? If yes, please detail.

Answer:

1. The cost for the independent review is \$283,000, which is well under the budget for the review of \$490,000.
2. Due to commercial sensitivities, the Winter Report will remain confidential to the Government and will not be publicly released at this time.
3.
 - a) The Government has engaged BAE Systems, Navantia SA and Raytheon Australia to take on increased roles in the Air Warfare Destroyer program for an interim period.
 - b) Navantia will provide 11 additional personnel. BAE will initially provide eight personnel.
 - c) The market approach was through limited tender. The parties were selected following competitive procurement processes, undertaken consistent with the Commonwealth Procurement Rules.
 - d) The cost of implementing the AWD Reform Strategy will be met from within existing Department of Defence resources.
 - e) The Government is confident that this intervention will ensure that productivity and performance on the AWD Program improves, with consequential positive impacts on costs and schedule for the overall Program.
 - f) See answer to Q3e.
 - g) The contracts are commercially sensitive information, however, the Government has ensured a value for money outcome through a competitive procurement process.
 - h) See answer to Q3g.
 - i) The Alliance contract, the Alliance Based Target Incentive Agreement, will remain in place during the Interim Phase of the AWD Reform Strategy. ASC and Raytheon will continue to be responsible for the delivery of the three Air Warfare Destroyers.
4. This is a matter for the Department of Defence.