

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**ADDITIONAL BUDGET ESTIMATES 2011-2012**

**Finance and Deregulation Portfolio**

**Department/Agency:** ASC Pty Ltd  
**Outcome/Program:**  
**Topic:** AWD project / BAE contractor

**Senator:** Johnston

**Question reference number:** F57

**Type of question:** Written

**Date set by the committee for the return of answer:** Friday, 30 March 2012

**Number of pages:** 2

**Question:**

- a) Please provide details on the current financial state of the AWD project.
- b) Please provide details on how the project is to be funded in the event of cost over-runs.
- c) Is there sufficient revenue reserves to cover any cost over-runs?
- d) How much was paid to the contractor BAE for the initial 'blocks' that provided the well publicised challenges for ASC, DMO and the AWD Alliance?
- e) What additional amount was paid, above the agreed contract price, to BAE for these problematic initial 'blocks'?
- f) Provide the specific details on how the project is proceeding against the designated milestones?

**Answer:**

- a) This response has been prepared in consultation with the Defence Materiel Organisation (DMO). The AWD Alliance operates within the terms of the Alliance Based Target Incentive Agreement (ABTIA). The ABTIA is a cost reimbursement contract where the Industry Participants' (IPs) costs are reimbursed by the Commonwealth subject to various limitations, with the IPs' profits being at risk depending on overall cost performance against Target Cost Estimate (TCE). If there is cost overrun, project contingency funds held by the Commonwealth are used within the limits set at Second Pass approval.
- b) This response has been prepared in consultation with DMO. The Program expenditure to date (as at December 2011) is \$3,369 million of a total outturn budget of \$7,925 million. This represents approximately 42% of the total Program and aligns with the planned expenditure to date. The current forecast cost to complete the Program is also within Budget.
- c) This response has been prepared in consultation with DMO. Based on the current forecast there are sufficient funds to complete the project within the approved Budget, and contingency.

- d) ASC does not wish to disclose this information in relation to a contractor as it could adversely impact ASC's relationship with the contractor and potentially impact the work they continue to do with the Alliance.
- e) This response has been prepared in consultation with DMO. No additional amount has been paid. The payments are in accordance with the contract between ASC and BAE Systems Australia for the initial blocks.
- f) This response has been prepared in consultation with DMO. The designated milestones for the AWD project are the Key Event Dates as specified in the ABTIA. Fee payments to the Industry Participants are tied to achieving each milestone.