



Australian Government
Department of Defence
Defence Materiel
Organisation

DMO

Bulletin

ISSUE 2: NOVEMBER 2010

FOR **INDUSTRY**

RHINOS IN OUR CARE

**TFSP0: Sustaining
our aerospace edge**

**155 mm Howitzers arrive
LAND 17 receives the
first of our M777A2s**



CONTRIBUTORS

Thank you to the following who contributed to this issue of the DMO Bulletin

Group Captain Graham Edwards,
Air Commodore Axel Augustin,
Shireane McKinnie, Scott Willson,
Rebecca Campbell, Marc Lubin,
Tim Bloomfield, Harry Baxter,
Renee Buttenshaw,
Kristie Sweeting, Kate Nash,
Michael Bowbrick, Leonie Beck,
Melanie Lacey and Jo Button.

Artwork styled and produced by the Strategic Communication and Ministerial Services team.

Send your articles for the DMO Bulletin to the editor, Michelle Perks, at michelle.perks@defence.gov.au or telephone (02) 6265 4961.

For general enquiries or support please email the DMO Strategic Communication team: DMO.Communication@defence.gov.au.

Editorial staff reserve the right to reject, edit, or rearrange any item submitted for the reasons of clarity and space. While editorial staff are not responsible for the accuracy of the information submitted, every reasonable effort will be made to verify information.

IN THE NEWS

MAY



Three Australian based companies will be awarded up to \$9 million each for the development of next generation protected mobility vehicle prototypes, enabling them to compete for a contract worth more than \$1 billion for the manufacture of up to 1300 vehicles.



Australian Defence Force members on operations and in Australia will benefit from the provision of 200,000 sets of combat uniforms following the signing of new \$30 million clothing contracts with Australian Textile companies, Australian Defence Apparel and CTE Pty Ltd.

JUNE



Australian Defence industry employers will benefit from \$10.7 million in funds, available in the latest round of the Skilling Australia's Defence Industry (SADI) program.



The 66 hull blocks required to construct Australia's three Hobart-class Air Warfare Destroyers (AWDs) will be transported by sea from Newcastle and Melbourne to Adelaide for consolidation, following the signing of a \$25 million contract between the AWD Alliance and Toll North Pty Ltd.



The RAAF will benefit from the completion of the F/A-18 Classic Hornet fleet Centre Barrel Replacement Program, which represents a major phase of the Hornet Upgrade Program.

JULY



The RAAF will benefit from the ongoing maintenance and support of its C-130H Hercules fleet following the signing of a new three-year \$136 million contract with Qantas Defence Services.

AUGUST



The deployment of Super Hornet aircraft to Adelaide and weapons trials conducted at the Woomera Test Range in South Australia between 30 August and 15 September will assist No. 1 Squadron to achieve Initial Operational Capability by December 2010.

SEPTEMBER



Australian Government
Department of Defence

On 11 September 2010, Prime Minister Gillard announced the new Ministry including the appointment of Stephen Smith as the Minister for Defence; Warren Snowdon as the Minister for Veterans' Affairs and Defence Science and Personnel; Jason Clare as the Minister for Defence Materiel; and David Feeney as the Parliamentary Secretary for Defence.

ADDITIONAL INFORMATION FOR INDUSTRY

- + The DMO: www.defence.gov.au/dmo
- + Skilling Australia's Defence Industry: www.defence.gov.au/sadi
- ✗ The Defence and Industry ePortal: www.dplusi.defence.gov.au

PROVING OUR PROFESSIONALISM



The end of another financial year presents a good opportunity to review our past performance and confirm we are on track in meeting efficiency and effectiveness targets.

In 2009-10 the DMO again made a major contribution to overseas deployments and to providing and supporting equipment needed urgently for operations. This continues to be our top priority.

As I foreshadowed in the May round of Business Plan Review presentations, we finished 2009-10 in a strong position in terms of our budget performance. The final end-of-year result reflects a successful and well managed outcome for DMO.

KEY HIGHLIGHTS

- The Acquisition Program expense reached \$6.0 billion against an estimated revised budget of \$5.4 billion. This result reflects strong capital performance by DMO projects, with reductions in slippage and some program activity accelerated in 2009-10.
- The Sustainment Program achieved expenses of \$4.6 billion against an estimated revised budget of \$5.3 billion in the first year of Smart Sustainment Reform.
- In the discretionary element of the DMO budget (Workforce and Operating Expenses) the DMO achieved a saving of approximately 7 per cent.

The performance in terms of achieving the Strategic Reform Program (SRP) savings target is particularly welcome. This is not just accounting-speak. In a very real sense, it shows that the DMO delivered the required level of sustainment services and supplies to the ADF while at the same time

freeing up resources to redirect to other priorities and delivering cash savings at year's end (with unspent funds returned to Defence)¹.

The ANAO has again provided an unqualified opinion on DMO's Financial Statements. The key message from this assurance activity is that our financial processes and records are of a satisfactory standard, but there is still room for improvement.

The DMO continued to address ANAO concerns, as reflected by a reduced number of adverse audit findings. In the 2009-10 financial year there were only four Category B and three Category C findings.

► These results are a credit to the commitment displayed by all DMO staff, not just those in Finance Division.

The DMO's Certificate of Compliance results are continuing to improve, with the number of breaches reported for 2009-10 significantly lower than the equivalent figure in 2008-09.

These results are a credit to the commitment displayed by all DMO staff, not just those in Finance Division. We all have a role in ensuring that financial policy requirements are met and that our financial reporting is accurate.

The key area of focus for this coming year will continue to be contract approvals, and specifically ensuring that approving officers hold appropriate delegation rights. Verbal approvals, where they are

continued on page 4

¹ A detailed report on DMO's achievement of financial outcomes will be available in the *Defence Annual Report 2009-10*.

04 | Sustaining Super Hornets



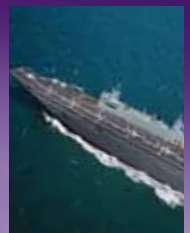
08 | H.I. Fraser Recognised



09 | Tiered Body Armour System



10 | Company Profile: Avalon Systems



11 | Initial acceptance of our first wedgetail



14 | Defence Industry Policy Statement launched at Australian Industry Group headquarters



Other Articles

06 | M777A2 Land

07 | DMO personnel

08 | DMO leadership change



continued from page 3

given, must be recorded in a timely manner. In terms of other areas requiring further improvement, CFO DMO will be conducting a major review of the financial reporting and controls framework during 2010-11 to address a number of issues to continue to improve and streamline the assurance process.

I am very proud of our financial management performance. It reflects well on the whole of the

DMO as a key measure of our professional management and our credibility with Defence, the central agencies and with Government.

Dr Stephen Gumley AO
CEO DMO



SUSTAINING SUPER HORNETS

The first eleven of Australia's fleet of 24 Boeing F/A-18F Super Hornets have arrived at their new home at Royal Australian Air Force (RAAF) Base Amberley, Queensland with the second tranche of five aircraft arriving on 6 July 2010.

The F/A-18F Super Hornets are known as 'Rhinos' to distinguish them from the classic F/A-18A/B Hornets. The Australian Super Hornets will ensure that Australia's air combat capability edge is maintained before the introduction into service of the F-35 Joint Strike Fighter (JSF) with their arrival allowing the RAAF to retire the F-111

fleet. The Australian Super Hornet is a multi-role fighter that spans the air combat spectrum, including land and maritime strike.

The Australian Super Hornet Project Office (ASHPO) in Brindabella Park is acquiring the aircraft, support

► **Key maintenance capabilities now in place include aircraft wash, wheels and tyres replacement and test/repair of the generator converter unit**

systems and training systems, with the Tactical Fighter Systems Program Office (TFSPPO) at RAAF Base Williamstown responsible for

providing the sustainment support for the Super Hornet fleet.

TFSPPO is sourcing the majority of sustainment services for Super Hornet aircraft from the United States (US) Navy and The Boeing Company via Foreign Military Sales

cases. Leveraging off the US Navy's existing support arrangements is providing significant benefits to Defence including access to an



established network of Super Hornet engineering and repair contracts, spares, infrastructure, technical expertise, and interoperability with allied military forces.

TFSP0 is managing three significant commercial contracts for Super Hornet support. The Boeing Company in the US and major sub-contractor Boeing Defence Australia provide supply chain management and intermediate level maintenance services via an Aircraft Sustainment Contract. Raytheon Australia Pty Ltd and major sub-contractor MILSKIL provide aircrew training and training device maintenance services, whilst General Electric International Incorporated and major sub-contractor TAE provide Super Hornet F414 Engine maintenance.

Director General Air Combat Systems, Air Commodore Axel Augustin, commented that whilst the Super Hornet sustainment framework has maximised the benefits of being closely coupled to the US Navy it has also provided Australian Defence firms with reasonable opportunities.

Wing Commander Nick Robertson, who was responsible for establishing the commercial contract with Boeing, proudly explains that TFSP0 and Boeing have been successfully sustaining Super Hornet operations since their March arrival at RAAF Base Amberley, and says that the engineering and supply chain management processes are continuing to be refined as the flying rate of effort increases and additional aircraft are brought into service.

Some key maintenance capabilities are already in place including aircraft wash, wheels and tyres replacement and test/repair of the generator converter unit. The first of two automated test stations is also in place and installation and commissioning work underway will soon enable testing and repair of a broad range of Super Hornet avionics equipment to circuit card level. The remainder of the maintenance capability will continue to mature as the remaining 13 Super Hornets are delivered during 2010 and 2011.



Manufacturer	Boeing
Role	Multi-role fighter
Crew	Two
Engine	Two low-bypass F414-GE-400 turbofans (9,800 kilograms of thrust each)
Airframe	Length: 18.3 metres, height: 4.9 metres
Wingspan	13.6 metres
Weight	13,387 kilograms basic, 29,900 kilograms maximum take-off weight
Speed	Mach 1.6 (1,960 kilometres per hour)
Range	<ul style="list-style-type: none"> Ferrying 2,700 kilometres (without refuelling) Interdiction over 1,000 kilometres Combat radius 740 kilometres
Ceiling	Above 50,000 feet
Weapons	<ul style="list-style-type: none"> AIM-120 AMRAAM active radar guided missiles AIM-7 Sparrow radar-guided long-range missiles AIM-9 Sidewinder infra-red seeking missiles Harpoon anti-ship missiles Conventional and laser-guided bombs M61 20mm nose-mounted cannon
Avionics	<ul style="list-style-type: none"> Hughes APG-79 multi-mode radar Global Positioning System Inertial navigation system Very High Frequency omni-directional range/instrument landing system Two mission computers Head-up cockpit display Multi-functional cathode ray tube displays

FIRST GUN LANDS

The Land 17 Phase 1A Project will deliver a lightweight 155 mm towed howitzer, a battle management system and course correcting fuze capabilities to the Australian Defence Force. The BAE Systems manufactured M777A2 is the materiel solution for the Land 17 lightweight towed howitzer capability, with a US Government Foreign Military Sales contract for delivery of 35 M777A2s signed on schedule in September 2009.

On 16 August 2010, the project team took delivery of the first M777A2 Lightweight Towed Howitzer. The remainder of the guns will be delivered commencing in March 2011, with the arrival of a further nine guns. Final gun deliveries are scheduled for December 2011. The first gun will be based at the School of Artillery and used for engineering design acceptance activities and to inform the development of training management plans prior to introduction into service training commencing in mid-2011.

The M777A2 is qualified to fire all in-service ammunition and is fitted with the Enhanced Portable Inductive Artillery Fuze Setter (EPIAFS), which enables the setting of inductively set fuzes and the GPS-guided Excalibur projectile. The gun exchanges platform readiness, logistic, deployment and fire mission commands via the on-board data radio utilising Military Standard (MIL-STD) Variable Message Format (VMF) messages with the Advanced Field Artillery Tactical Data System (also being introduced by Land 17 Phase 1A) for the purposes of mission planning, execution and reporting.



CALL FOR NOMINATIONS FOR

THE 2010 ADM DMO/INDUSTRY TEAM OF THE YEAR AWARDS FOR EXCELLENCE IN COLLABORATION

NOMINATIONS FOR THE AWARDS CLOSE 20 DECEMBER 2010.

Entries are being sought in the four Certificate Categories:

Major Acquisition, Minor Acquisition, Sustainment/Logistics Support Activity and Rapid Acquisition.

Further information can be found on the DMO website www.defence.gov.au/dmo, or by calling the Awards Convenor on **0417 476 710**



Major company/DMO and SME/DMO winners receive the perpetual Essington Lewis Trophy 2010.

OUR LEADING ENGINEER AWARDED PUBLIC SERVICE AWARD

Shireane McKinnie was recognised earlier this year for outstanding public service in the field of engineering and defence equipment acquisition, in the Queen's Birthday Honours list for 2010.



From 2000 until 2009, Shireane was Head of the Electronic Systems and Electronic and Weapon Systems Divisions in the DMO with responsibility for 900 Australian Public Service and Australian Defence Force (ADF) personnel and a budget of around \$1 billion.

Shireane led complex negotiations with foreign governments and large multinational and Australian defence sector companies in relation to core equipment and technology systems

for the ADF. She has been resolute in her determination to deliver positive outcomes for Defence.

Her leadership and commitment directly contributed to improvements in the warfighting capability of the ADF, including major acquisitions such as satellites and ground-based communications equipment as well as behind-the-scenes technology that underpin the command and control systems and self-protection technology that are vital to the conduct of military operations.

► *Her leadership and commitment directly contributed to improvements in the warfighting capability of the ADF*

Shireane acts as the leading engineer in the DMO and has made a significant personal contribution to promoting and developing the engineering discipline in Defence over many years.

Shireane is very proud of this award, and acknowledges that this has been made possible through the loyalty and efforts of many people in the DMO.

Congratulations Shireane!



FAREWELL TO COURAGEOUS BRIGADIER

More than 350 people turned out at the Royal Military College Chapel on 20 August 2010 to farewell Brigadier (BRIG) Rohan Boyer, aged 47, who passed away on 13 August due to cancer.

Head Land Systems, Major General (MAJGEN) Grant Cavenagh, said in his eulogy BRIG Boyer

was "an excellent officer who really believed that command of Australian soldiers was the greatest responsibility that could be given to anyone."

BRIG Boyer joined the Army in January 1981 and graduated to the Royal Australian Armoured

Corps in December 1984. He served in Malaysia as a Platoon Commander in the mid 80s and later deployed on Operations WARDEN and CATALYST. BRIG Boyer was attached to 2 Cavalry and 3/4 Cavalry Regiments serving with Interfet in 1999. He deployed to Basra in 2008 as the Australian national representative in southern Iraq, before returning to Australia and becoming the Director General Land Vehicle Systems where he oversaw \$6 billion worth of projects.

AUSSIE OWNED COMPANY RECOGNISED FOR MANUFACTURING EXCELLENCE



H.I.Fraser, an Australian owned company, has been providing engineering design, supply, manufacture and repair services for over 50 years, focusing on keeping work in Australia.

H.I.Fraser was awarded the Endeavour Awards 2010 Australian Manufacturer of the Year and the 2010 Manufacturers Monthly Global Integration Award for their involvement in the Air Warfare Destroyer (AWD) and Landing Helicopter Dock (LHD) projects. The judges said, "H.I.Fraser's manufacturing and engineering for the AWD ship-build project brings \$4 million in to the Australian economy which would

have otherwise been sourced from overseas."

▶▶ ***H.I.Fraser's manufacturing and engineering for the AWD ship-build project brings \$4 million in to the Australian economy which would have otherwise been sourced from overseas.***

This Award represents a significant achievement for H.I.Fraser, as a Small to Medium Enterprise, as the 2009 Endeavour Award was won by Toyota.

H.I.Fraser hopes that work flows solidly throughout the life of the AWD and LHD vessels' maintenance and eventual system upgrades.

H.I.Fraser acknowledged the assistance received from the DMO Skilling Australia's Defence Industry (SADI) Program.

Further information can be found at www.hifraser.com.

SENIOR LEADERSHIP CHANGE

Air Vice-Marshal (AVM) Chris Deeble has been assigned to the new position of Program Manager – Collins and Wedgetail with effect 7 June 2010.

AVM Deeble will provide systems integration expertise and leadership in complex project remediation for both the Collins-class submarines and the Airborne Early Warning and Control aircraft.



(L-R) Dr Stephen Gumley and Warren King handover a model of a Collins-class submarine to AVM Chris Deeble upon his commencement as Program Manager – Collins and Wedgetail

THE TIERED BODY ARMOUR SYSTEM

A SCALABLE APPROACH TO PERSONAL PROTECTION

A new range of combat body armour is being developed by Soldier Modernisation Systems Program Office (SMSPO) to meet Army's requirement for scalable personal protection to adapt to the changing nature of conflict.

Current operations have the majority of Australian soldiers issued with the Modular Combat Body Armour System or MCBAS. MCBAS was designed for use to meet Army's requirements in Iraq and offers a very high level of personal protection. Military operations have since evolved, with some requiring soldiers to use a lighter weight system that allows for a greater degree of mobility and manoeuvrability.

As a short term solution, a Military off-the-shelf body armour

variant from Eagle Industries has been issued to select Units. However, the long term management of multiple types of body armour is unsustainable.

At the request of Army, SMSPO has embarked on the development of the Tiered Body Armour System (TBAS). TBAS will create a single fleet of multiple variants of body armour that will allow commanders to specifically tailor body armour to each mission.

Chief of Army, Lieutenant General Ken Gillespie commented, "In the TBAS equipment set that we are looking at, we are providing levels of weight and armour so that an operational commander on the ground can best balance his force protection requirements with the task that he has been allocated."

The first version of TBAS was trialled in late 2009 by Special Forces Units and 3 Royal Australian Regiment (RAR). Design improvement recommendations were brought together by the Australian Defence Test and Evaluation Office and provided to SMSPO to inform the development of the second version.

The trial of version two was conducted with Special Forces Units and all major Units of 1st Brigade and completed in July 2010. The third version of TBAS is currently being developed incorporating design change recommendations from the version two trial users. Operational Test and Evaluation is anticipated to run from October 2010 through to mid 2011.



Troopers from the Northern Territory's 1st Brigade trial the new TBAS body armour in the tropical heat of Mount Bunday Training Area.



Chief of Army LTGEN Ken Gillespie, and Regimental Sergeant Major of the Army, Warrant Officer Class 1 Stephen Ward display the second version of the TBAS at a Patrol Base in Afghanistan.

WIRED FOR SUCCESS

Australian electronic warfare specialist, Avalon Systems was started in 1995 by two engineers who rented premises in Innovation House at Mawson Lakes, South Australia. After 15 years of growth and outgrowing its premises twice in two years, last year it moved into purpose-built premises further down the road at Technology Park.

In July 2009, Avalon Systems was acquired by United Kingdom (UK) firm Ultra Electronics and has become a subsidiary of the publicly listed company that owns more than 23 other Small to Medium-sized Enterprises (SMEs) around the globe. The Adelaide-based company is now known as Ultra Electronics Avalon Systems.

The acquisition will result in the electronic warfare specialist adding sonar to its capabilities, meaning it must triple the size of its current premises. Plans for a new 2400 m² business office will include a purpose-built laboratory for sonar work and room for up to 60 employees, says Business Development Manager Dr John Bartlett.

The new premises will also include a 50m-long bench for the sonar towed array (underwater listening device). The move is expected to be completed early next year.

Ultra Electronics was looking to establish a presence in Australia following its successful bid for the sonar contract on the Air Warfare Destroyer (AWD). This was signed in November 2008.

Dr Bartlett says Avalon's size and success made it an attractive acquisition. Its overall capability, room for expansion, and the fact that security clearances, company procedures and quality management systems are already in place would have appealed to its UK parent.

► *AWD will be the basis and we intend to expand within Australia in the sonar world*

Ultra's success on the AWD sonar bid was followed up by last month's naming of ITT-EDO Reconnaissance and Surveillance Systems as the preferred supplier for the electronic warfare system for the AWDs. Ultra Electronics Avalon Systems is one of two sub-contractors to the prime contractor on the \$30 million project.

Minister for Defence Materiel and Science, Greg Combet has said an upgrade of Ultra's multi-purpose digital receiver to integrate it with the ITT system will enable the AWDs to gain increased awareness of land, air and seaborne threats and give them capability edge.

"The ITT solution is based on equipment used by several navies around the world. The equipment includes the ITT ES-3701-02S system for the detection and identification of radars, and the Southwest Research Institute MBS-567A system for intercepting communication signals."

This article first appeared in SA Defence Business, the official publication of the Defence Teaming Centre www.sadefencebusiness.com.au

As well as Ultra Electronics Avalon Systems, ITT is also teaming with Jenkins Engineering Defence Systems in Sydney for the AWD contract.

"This strongly supports the Australian Government's objectives for Priority Industry Capabilities in the area of electronic warfare, by enhancing the knowledge and capability of local industry in this important area," Mr Combet said.

Dr Bartlett says Ultra Electronics Avalon Systems will now have three main business streams.

"We'll have electronic warfare; we'll have the new sonar business – AWD will be the basis and we intend to expand within Australia in the sonar world – and we will be the support centre for Ultra work globally coming into Australia.

"We will try to identify opportunities in Australia and match them with the company's global capabilities.

"We will become the focal point for Ultra businesses around the world selling into Australia and the Asia-Pacific Region. New ventures and opportunities will be funnelled as far as we can through Ultra Electronics Avalon Systems."

The company is now focusing its efforts on bidding for the DMO's contract for the ANZAC mid-life update for electronic warfare – known as the SEA 1448 Phase 4A project. Competitors vying for the job include two overseas companies and another Australian company with overseas parents.



UPDATE FOR DEFENCE INDUSTRY CANBERRA

On the morning of 8 July the team from the New South Wales (NSW)/Australian Capital Territory (ACT) DMO Business Access Office (BAO) braved a very chilly winter morning to conduct an Update for Defence Industry at Adams Hall, Australian Defence Force Academy. There was no relief from the cold weather inside the venue, as it was quickly discovered that the heating was not operational.

The Update was well attended, with approximately 150 registrations being received for the event. There was a good mix of attendees with representatives from primes, Small to Medium-sized Enterprises (SMEs), state and federal governments. The Update provided both experienced players and newcomers with an opportunity to hear about new trends and directions across the DMO and Defence as well as discuss these with other members of industry.

► **Updates conducted by the BAOs fulfil an important function as part of DMO's engagement with industry**



The Updates conducted by the BAOs fulfil an important function as part of DMO's engagement with industry. Through these free-of-charge briefings, representatives of industry are able to hear a number of Defence areas speak about what they do, how they engage with industry and the latest developments within their areas. Speakers at the Update included:

Mr Edwin Ho, Director Industry Policy and Programs, DMO, who spoke about the recently announced Defence Industry Policy Statement 2010;

Mr Clive Lines, First Assistant Secretary Information and Communications Technology (ICT) Reform, Chief Information Officer Group, who spoke about ICT reform across Defence and opportunities for industry;

Mr John Wantling, Base Support Manager, Defence Support Group (DSG), who spoke on how DSG engages with industry, as well as local business opportunities; and

Ms Jacinta Thomson, A/Director Defence Industry Security, Defence Security Authority (DSA), who spoke generally about DSA and the Broader Defence Industry Security Agenda.

Updates for Defence Industry are conducted by BAOs on a regular basis in all States and Territories. The NSW/ACT BAO would like to thank all of those who endured the cold to attend the Canberra Update.

Further information about the DMO Business Access Offices can be found at; http://www.defence.gov.au/dmo/id/publications/dmobao_Apr10.pdf



INITIAL ACCEPTANCE OF WEDGETAILS

The developmental nature of the project meant that Wedgetail was always recognised as a high risk program, even with the significant risk mitigation work performed prior to the tender activity in 1998. The Commonwealth signed a multi-billion dollar deal with Boeing to acquire six Wedgetail aircraft, which were originally expected to be delivered in 2006. However technical problems pushed the delivery behind schedule. In November 2009, a commercial settlement was negotiated, with compensation awarded to the Commonwealth to acknowledge the schedule delays and capability shortfalls. An incremental delivery schedule was also negotiated.

Under the incremental delivery schedule, Wedgetail aircraft will

be delivered primarily in two configurations. The first two Wedgetails were accepted in a configuration that has allowed the RAAF to commence formal training and building operational capability. The then Minister for Defence Materiel and Science, Mr Combet, said, "This will provide an excellent opportunity for our operational crews and maintenance staff to experience the Wedgetail capability, as well as to exercise our in-service processes. In particular, the aircrew will be able to exercise the integrated system to achieve excellent results."

Prior to Initial Acceptance, the two Wedgetails were delivered to Williamstown on 26 November 2009 and were used to conduct familiarisation training while Boeing completed the remaining test program and acceptance

activities. The familiarisation training conducted since Initial Delivery was very successful.

A third aircraft was accepted in the initial configuration in June 2010. Boeing currently plans to deliver the first aircraft in a 'final' configuration, capable of supporting all operational tasking short of high-end warfighting in December 2010. However, the Program Office assesses that there is 6-9 months risk to this date due to unresolved technical issues.

RADAR PERFORMANCE IMPROVEMENT

As part of the commercial settlement that was negotiated for the project in November 2009, an Airborne Early Warning and Control (AEW&C) Radar Collaborative Study is being conducted. This is part of the compensation under the Settlement Deed for a number of radar performance shortfalls.

This is an 18-month collaborative research and development



SUPPORTING THE WEDGETAILS SUBSTANTIAL SUSTAINMENT!

On 19 January this year, an \$800 million through-life support contract was signed by the Commonwealth. Boeing IDS will provide a Total Logistics Support service for the aircraft and ground support segments for an initial five-year period, supported by Northrop Grumman Corporation for the radar systems and Boeing Defence Australia for engineering, maintenance and training services.

The contract has been developed using an innovative support strategy. The contract is performance based and will use a cost plus fixed fee payment regime, designed to reduce the total price through accepting the contractor's cost risk. This arrangement also provides incentive for the contractor to reduce costs and increase their percentage margin. The contract will provide integrated solutions to AEW&C sustainment and is designed to reduce the cost of ownership into the future.

Australian defence industry will play a major role in this contract. More than 100 new jobs will be created at RAAF Base Williamtown and continued and new employment opportunities will be provided for more than 100 personnel at RAAF Base Amberley over the coming twelve months.

AEW&C Systems Program Office (AEWCSPPO) has been working at a frantic pace to ensure sustainment support activities are in place to support the delivery of the Wedgetails.

program, involving Boeing, Northrop Grumman and the Commonwealth, to study a number of technical options for remediating radar performance in the longer term. This program is underway and is identifying opportunities to address specification shortfalls.

While none of these options could be implemented immediately, the Program Office is cautiously confident that the radar collaborative study will identify a number of viable technical solutions to recover most of the performance shortfalls, with potential to continue to grow the radar capability.

Northrop Grumman has engaged CEA Technologies Pty Ltd as part of the AEW&C Radar Collaborative study. The opportunities provided by the CEA involvement in through-life support and future MESA radar development will play a key role in forging a new and more collaborative relationship between the Commonwealth and Northrop Grumman Corporation (NGC) for the future. CEA's capabilities have also been identified as an Australian Priority Industry Capability and CEA's involvement will enhance Australian industry's ability to support the radar through-life.



PROJECT TIMELINE

30 January 1996

The Force Structure Policy and Programming Committee approved the AEW&C capability requirement

14 October 1996

Short list of potential prime contractors for the supply of AEW&C announced

2 December 1997

Government approval given for acquisition of an AEW&C capability for the ADF

28 January 1998

Three contracts announced for the initial design work on the Wedgetail capability

21 July 1999

Boeing announced as the preferred tenderer of the Wedgetail aircraft and associated support

18 January 2000

No 2 Squadron reformed

20 December 2000

AEW&C systems acquisition contract and associated support contract for four aircraft signed with Boeing

1 November 2002

First Wedgetail rolls off the production line at the Boeing Commercial Aircraft facility in Seattle

21 May 2004

First Wedgetail flight in Seattle

3 June 2004

Contract option for two additional Wedgetails signed

14-15 March 2005

First Wedgetail visits Australia

1 January 2006

AEWCSPPO formed and 42 Wing reformed at Williamtown

April 2009

Operational demonstration held at Darwin to test Wedgetail capability and performance

November 2009

Commercial settlement negotiated for project delays and performance shortfalls

26 November 2009

First two Wedgetail aircraft are delivered to Williamtown to allow the RAAF to conduct familiarisation training

19 January 2010

Through-life support contract signed

28 April 2010

Initial acceptance of the first two Wedgetail aircraft

June 2010

Initial acceptance of the third Wedgetail aircraft

BUILDING DEFENCE CAPABILITY: A POLICY FOR A SMARTER AND MORE AGILE DEFENCE INDUSTRY BASE



The then Minister for Defence Materiel and Science, the Hon. Greg Combet AM MP launched the Government's Defence Industry Policy Statement 2010 at the Australian Industry Group Headquarters in Canberra on 25 June 2010.

He described the policy as a culmination of two and a half years of engagement with the defence industry and analysis of the strategic requirements that shape our Defence Policy. In particular to support the policy, the Minister outlined the Government's commitment of \$445 million out to 2018–19 for a range of programs that industry can access to improve their competitiveness, their capacity for innovation, their ability to enter export markets and the skills of their workforce.

The global defence industry has undergone significant changes over the last several decades. Globalisation and the end of the Cold war have contributed to a major consolidation within the industry, which has seen the rationalisation of major defence suppliers. This has resulted in a global defence industry dominated by a very few defence companies, mostly based in Europe and North America.

In turn, this presents both challenges and opportunities for Australia's Defence industry. It is a challenge for our Small to Medium Enterprises (SMEs) that need to

accommodate major investment decisions made in Europe and North America. Yet it is also an opportunity for Australian SMEs to make profits through integrating into the global supply chains of international primes and their major subcontractors.

At the same time, the Defence White Paper 2009 (Defending Australia in the Asia Pacific Century: Force 2030) and the Strategic Reform Program (The Strategic Reform Program: Delivering Force 2030), which includes the Government Response to the Mortimer Review, are having a significant impact on defence industry in Australia. They are already driving changes to Defence and the Australian Defence Force (ADF), many of which will affect Australia's Defence industry.

For its part the Government has a number of expectations of defence industry. Industry must become more resilient and self reliant if it is to prosper and grow in the future. It can no longer expect the use of offsets or local content quotas to help protect Australian Defence industry from overseas competition. Previous experience has shown that this approach is not in the best interests of Government, Industry or Defence.

The Defence Industry Policy 2010 – Building Defence Capability: A Policy for a Smarter and More

Agile Defence Industry Base is underpinned by four key principles:

1. Setting clear investment priorities: Defence industry investment policies must be driven by the Government's endorsed strategic tasks for Defence and the military capability needs that derive from these tasks. The Defence White Paper 2009 and the Strategic Reform Program articulate clear strategic policies for Defence, which the Defence Industry Policy Statement 2010 applies in the defence industry context.
2. Establishing a stronger Defence – Industry relationship: Sound relations between Defence and industry require clear communication between all parties. This Statement also advances a considerably more flexible approach to defence procurement and contracting, where varying kinds and levels of risk are managed through the appropriate procurement and contractual vehicles.
3. Seeking opportunities for growth: The Government will seek to increase the opportunities for Australian Defence industry to identify and make the most of business opportunities within Australia and overseas. This is not providing industry with expensive taxpayer funded (or backed) guarantees, but rather encouraging a competitive industry base that has opportunities to grow and is supported by forward looking and flexible Government policies.
4. Building skills, innovation and productivity: The Government will ensure that Australian defence firms have every opportunity to enhance their capacity for innovation, skilling and productivity. This is important for Australia's defence and will help to sustain viable Defence industry enterprises into the future.