

ISSUE: Why did the Government choose the Tenix-Navantia proposal?

- The Tenix-Navantia proposal provides a platform which:
 - carries more troops, more vehicles, more stores;
 - meets naval survivability standards; and
 - offers the Saab 9LV combat system common to the Anzac frigates.
- Tenix has proposed a low risk build strategy with a level and range of Australian content appropriate to the Navy's future requirements.

ISSUE: Kinnaird Process

- The LHD Project exemplifies Kinnaird reforms.
- Approximately \$23 million was spent over 3 years on design studies to reduce project risk and better define the required capability.

ISSUE: When will the ships be in-service?

- The ships will be delivered by Tenix in late 2012 and late 2014 and it will then take Navy approximately 15 months to work each ship up to its full level of operational capability.

ISSUE: Will there be a capability gap between the new LHDs and the current amphibious ships?

- No. Navy will manage the transition to ensure there is no gap.

ISSUE: Why is the Government pursuing the purchase of the LHDs?

- The requirement for the LHDs is expressed in a series of cascading strategy documents.

- The LHDs will provide a truly transformational capability for the Australian Defence Force allowing it to conduct a wide range of operations from high-end amphibious war-fighting scenarios and projection of land forces through to humanitarian relief.

ISSUE: Australian Industry Involvement

- The Tenix proposal offers 23% Australian content amounting to more than \$700 million and 600 jobs.

ISSUE: Where will the ships be built?

- Tenix plans to utilise the world class design and shipbuilding facilities of its partner Navantia to construct the hull of the vessels (from keel to flight deck) in its modern naval shipyard in Ferrol, Spain.
- The hulls will be brought to Tenix's Williamstown shipyard in Melbourne by heavy lift ship where the locally built superstructure will be consolidated with the hull.
- All combat systems design and integration work and all tests and trials will be conducted in Australia, thereby developing the key skills required to maintain and upgrade the ships through life.

ISSUE: Will the skills shortage impact this project?

- Economic modelling and advice from consulting economists Acil-Tasman and CRA International indicate that this project is readily achievable despite current labour market constraints.

ISSUE: Has there been a blow-out in the cost of the LHD Project?

- This project was commenced prior to introduction of Kinnaird reforms when costing methodologies were less rigorous.
- Defence advised Government at 1st Pass that through application of the more rigorous Kinnaird principles it had identified that the

Project was likely to cost of the order of \$600 - \$900 million more than the allocated budget of approximately \$2 billion.

- This demonstrates the success of the Kinnaird reforms.

ISSUE: Proposed AWD and Amphibious capability melding

- There have been suggestions made that the Air Warfare Destroyer and Amphibious Ship projects could be melded or amalgamated in some way. The rationale is that project management and common equipment efficiencies could be gained through melding some project elements.
- The melding of the two projects was not a part of the tender process and Defence has not investigated the costs and benefits of such a strategy in assessing the offers.
- As Navantia has won both design contracts Defence will investigate opportunities to synergise some aspects of the two projects to determine the potential benefits of melding.