

## Special Purpose Aircraft

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- Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn mid-2024.

### Talking Points

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**Prepared By:**

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Branch: Air Force  
Phone: s47E(d)

**Cleared By:**

Name: Air Marshal Robert Chipman  
Position: Chief of Air Force  
Service: Air Force  
Phone: s47E(d)

Supplementary Budget Estimates: February 2023

Last updated: 16 December 2022

Key witness: Air Marshal Robert Chipman

PDR No: SB22-000527

Special Purpose Aircraft

- Replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value-for-money than retention of the Boeing Business Jets beyond lease expiry in 2024.

## Background

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## Key Facts and Figures

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- Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn.
- The two Boeing Business Jets are scheduled to reach a planned withdrawal date mid-2024.

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Branch: Air Force

Phone: s47E(d)

### Cleared By:

Name: Air Marshal Robert Chipman

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Service: Air Force

Phone: s47E(d)

Supplementary Budget Estimates: February 2023

Last updated: 16 December 2022

Key witness: Air Marshal Robert Chipman

PDR No: SB22-000527

Special Purpose Aircraft

**Medium Special Purpose Aircraft Replacement**

- A review of the medium capacity Special Purpose Aircraft capability assessed that replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value-for-money than retention of the Boeing Business Jets beyond lease expiry in 2024.
- The 737-8 Boeing Business Jets meet or exceed all current Boeing Business Jet capabilities. They are the only viable solution to meet the future requirements of the medium capacity Special Purpose Aircraft capability.

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Position: Chief of Air Force

Service: Air Force

Phone: s47E(d)

Supplementary Budget Estimates: February 2023

Last updated: 16 December 2022

Key witness: Air Marshal Robert Chipman

PDR No: SB22-000527

Special Purpose Aircraft

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## Supporting Information

## Questions on Notice

- No QoNs asked.

## Freedom of Information (FOI) Requests

- None.

## Recent Ministerial Comments

- No recent comments.

## Relevant Media Reporting

- None identified.

<b>Division:</b> Air Force	
<b>PDR No:</b> SB22-000527	
<b>Prepared by:</b> s47F, Acting Director General Air Capability Enablers <b>Mob:</b> s47E(d) <b>Ph:</b> s47E(d) <b>Date:</b> 9 December 2022	<b>Cleared by Division Head:</b> Air Commodore David Titheridge, Acting Head of Air Force Capability. <b>Mob:</b> s47E(d) <b>Ph:</b> s47E(d) <b>Date:</b> 14 December 2022
<b>Consultation:</b> Capability, Acquisition and Sustainment Group. Air Vice-Marshal Leon Phillips, Head of Aerospace Systems Division (HASD)	<b>Date:</b> 12 December 2022. <b>Mob:</b> s47E(d) <b>Ph:</b> s47E(d)
<b>Cleared by CFO / DPG / DSR:</b>	N/A

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Supplementary Budget Estimates: February 2023

Last updated: 16 December 2022

Key witness: Air Marshal Robert Chipman

PDR No: SB22-000527

Special Purpose Aircraft

**Cleared by Deputy Secretary (or equivalent Band 3/3\*):**      **Date:** 16 December 2022

Air Marshal Robert Chipman, Chief of Air Force.

**Prepared By:**

Name: s47F

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**Cleared By:**

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Position: Chief of Air Force

Service: Air Force

Phone: s47E(d)

Supplementary Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

PDR No: SB23-000098

Special Purpose Aircraft

## Special Purpose Aircraft

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### Key Messages

s22

- Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn mid-2024.

### Talking Points

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**Prepared By:**

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**Cleared By:**

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Position: Chief of Air Force

Service: Air Force

Phone: s47E(d)

Supplementary Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

PDR No: SB23-000098

Special Purpose Aircraft

- Replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value-for-money than retention of the Boeing Business Jets beyond lease expiry in 2024.

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Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn.

- The two Boeing Business Jets are scheduled to reach a planned withdrawal date mid-2024.

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Supplementary Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

PDR No: SB23-000098

Special Purpose Aircraft

**Medium Special Purpose Aircraft Replacement**

- A review of the medium capacity Special Purpose Aircraft capability assessed replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value-for-money than retention of the Boeing Business Jets beyond lease expiry in 2024.
- The 737-8 Boeing Business Jets meet or exceed all current Boeing Business Jet capabilities. They are the only viable solution to meet the future requirements of the medium capacity Special Purpose Aircraft capability.

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**Prepared By:**

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Name: Air Marshal Robert Chipman

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Service: Air Force

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## Supporting Information

## Questions on Notice

- No QoNs asked.

## Freedom of Information (FOI) Requests

- None.

## Recent Ministerial Comments

- No recent comments.

## Relevant Media Reporting

- None identified.

<b>Division:</b> Air Force	
<b>PDR No:</b> SB23-000098	
<b>Prepared by:</b> s47F Acting Director General Air Capability Enablers Mob: s47E(d) Ph: s47E(d) Date: 9 December 2022	<b>Cleared by Division Head:</b> Air Commodore David Titheridge, Acting Head of Air Force Capability. Mob: s47E(d) Ph: s47E(d) Date: 14 December 2022
<b>Consultation:</b> Capability, Acquisition and Sustainment Group. Air Vice-Marshal Leon Phillips, Head of Aerospace Systems Division (HASD)	Date: 12 December 2022. Mob: s47E(d) Ph: s47E(d)

## Prepared By:

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Service: Air Force

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Supplementary Estimates: February 2023

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Key witness: Air Marshal Robert Chipman

PDR No: SB23-000098

Special Purpose Aircraft

<b>Cleared by CFO / DPG / DSR:</b>	N/A
<b>Cleared by Service Chief:</b> <b>Date:</b> 17 January 2023 Air Marshal Robert Chipman, Chief of Air Force	

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Key witness: Air Marshal Robert Chipman

## Special Purpose Aircraft

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### Key Messages

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- Defence is leasing two new replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn mid-2024.

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### Talking Points

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**Prepared By:**

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**Cleared By:**

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Service: Air Force

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Key witness: Air Marshal Robert Chipman

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- Replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value-for-money than retention of the Boeing Business Jets beyond lease expiry in 2024.

**When was Government agreement provided for replacement of the Special Purpose Aircraft fleet?**

- Agreement to lease two new replacement medium capacity 737-8 Boeing Business Jet aircraft was provided by the Prime Minister on 18 December 2021.

**Does the replacement Special Purpose Aircraft lease cost more than the existing fleet?**

- Yes. The replacement Special Purpose Aircraft are new aircraft replacing the current Defence Boeing Business Jets, which will be 22 years old at the end of their current lease term in 2024.
- The cost of the lease of the current Boeing Business Jet fleet – which is on its third lease term – reflects the aircraft age and therefore, low residual value.
- The lease cost for the current Boeing Business Jet fleet is \$4.9 million per annum in comparison to the new fleet lease cost of \$28.9 million annually, noting lease costs decrease each time a lease term contract is renegotiated.

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Phone: s47E(d)

Key witness: Air Marshal Robert Chipman

## Key Facts and Figures

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- Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn.
- The two Boeing Business Jets are scheduled to reach a planned withdrawal date mid-2024.

### Medium Special Purpose Aircraft Replacement

- A review of the medium capacity Special Purpose Aircraft capability assessed replacement of the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value for money than retention of the Boeing Business Jets beyond lease expiry in 2024.
- The 737-8 Boeing Business Jets meet or exceed all current Boeing Business Jet capabilities. They are the only viable solution to meet the future requirements of the medium capacity Special Purpose Aircraft capability.

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Key witness: Air Marshal Robert Chipman

- The 737-8 Boeing Business Jet was the only tendered option that can carry enough people, far enough, with sufficient amenity required for the medium capacity Special Purpose Aircraft role.
- The 737-8 Boeing Business Jet is capable of transporting more passengers, with fewer refuelling stops and a higher level of amenity than the current Boeing Business Jet. Contemporary amenities allow for appropriate work and rest on-board for both passengers and crew, and include maximising lie-flat seating, reduced cabin altitude and a crew rest facility on-board.
- Secure communication systems on-board with more capable systems than the Boeing Business Jet will enable internet access with high data speed and access to classified networks, improving Government efficiency during transit.

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Budget Estimates: May 2023  
Last updated: 27 April 2023

Key witness: Air Marshal Robert Chipman

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Budget Estimates: May 2023  
Last updated: 27 April 2023

Key witness: Air Marshal Robert Chipman

## Supporting Information

### Questions on Notice

- No QoNs asked.

### Freedom of Information (FOI) Requests

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**Cleared By:**

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Position: Chief of Air Force  
Service: Air Force  
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Key witness: Air Marshal Robert Chipman

**Recent Ministerial Comments**

- No recent comments.

**Relevant Media Reporting**

- None identified.

<b>Division:</b> Air Force	
<b>PDR No:</b> SB23-000403	
<b>Prepared by:</b> Air Commodore David Titheridge Director General Air Capability Enablers – Air Force Mob: s47E(d) Ph: s47E(d) Date: 30 March 2023	<b>Cleared by Division Head:</b> Air Vice-Marshal Wendy Blyth, Head of Air Force Capability Mob: s47E(d) Ph: s47E(d) Date: 27 April 2023
<b>Consultation:</b> Capability, Acquisition and Sustainment Group. Air Vice-Marshal Leon Phillips, Head of Aerospace Systems Division	Date: 03 April 2023 Mob: s47E(d) Ph: s47E(d)
<b>Cleared by CFO / DPG / DSR:</b> N/A	
<b>Cleared by Service Chief:</b> Air Marshal Robert Chipman, Chief of Air Force <b>Date:</b> 27 April 2023	

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Supplementary Budget Estimates October 2023  
Last updated: 8 September 2023  
Key witness: Air Marshal Robert Chipman

PDR No: SB23-000720  
Special Purpose Aircraft

## Special Purpose Aircraft

s22

### Key Messages

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- Defence is leasing two new replacement 737-8 Boeing Business Jets to ensure continuity of the medium capacity Special Purpose Aircraft.

### Talking Points

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Special Purpose Aircraft

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**When was Government agreement provided for replacement of the Special Purpose Aircraft fleet?**

- Agreement to lease two new replacement medium capacity 737-8 Boeing Business Jet aircraft was provided by the former Prime Minister on 18 December 2021.
- Replacement of the current Boeing Business Jets with two new similar capacity 737-8 aircraft represents better value-for-money than the retention and refurbishment of the aging Boeing Business Jets beyond lease expiry in 2024.

**Does the replacement Special Purpose Aircraft lease cost more than the existing fleet?**

- Yes. The current Boeing Business Jet aircraft are now more than 20 years old. The 2023-24 lease cost for the current Boeing Business Jet fleet is \$5.5 million per annum. The 2024-25 lease cost for the 737-8 Boeing Business Jets is forecast to be \$36.4 million per annum.
- The cost of the lease for the current Boeing Business Jet fleet, which is on its third lease extension, reflects the aircraft age and low residual value.
- The replacement Special Purpose Aircraft are new aircraft and are expected to enter service in May-June 2024 and September-October 2024 respectively.

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PDR No: SB23-000720  
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- Defence is leasing two replacement 737-8 Boeing Business Jets to ensure continuity in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn.

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### Medium Special Purpose Aircraft Replacement

- A review of the medium capacity Special Purpose Aircraft capability assessed replacing the current Boeing Business Jets with two new medium capacity 737-8 aircraft represents better value for money than retaining and refurbishing the Boeing Business Jets beyond lease expiry in 2024.
- The 737-8 Boeing Business Jets meet or exceed all current Boeing Business Jet capabilities. They are the only viable solution to meet the future requirements of the medium capacity Special Purpose Aircraft capability.

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Key witness: Air Marshal Robert Chipman

PDR No: SB23-000720  
Special Purpose Aircraft

- The 737-8 Boeing Business Jet was the only tendered option that can carry the required number of people the required distance, with appropriate amenities for the medium capacity Special Purpose Aircraft role.
- The 737-8 Boeing Business Jet can transport more passengers, with fewer refuelling stops and improved amenities than the current aircraft. Improved amenities will allow for appropriate work and rest on-board for both passengers and crew, and include lie-flat seating, reduced cabin altitude and a crew rest facility on-board.

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Supplementary Budget Estimates October 2023

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Special Purpose Aircraft

## Supporting Information

### Questions on Notice

#### 2022-23 October Budget Estimates: 9 November 2022

- In QoN 34, Senator Raff Ciccone (Labor, Victoria) asked for information regarding lease commencement and end dates for the Special Purpose Aircraft fleet and Ministerial approvals for the new Special Purpose Aircraft.

### Freedom of Information (FOI) Requests

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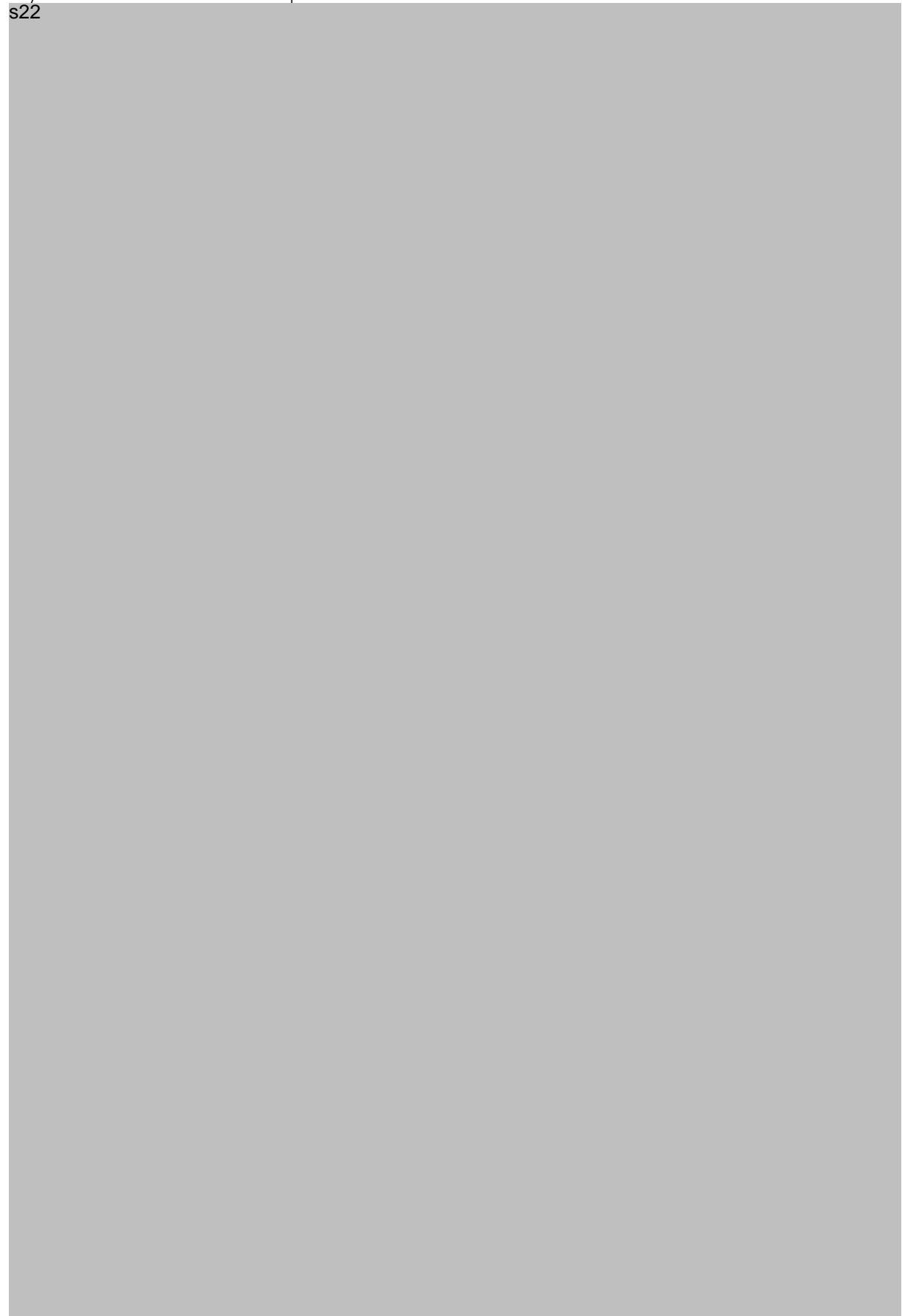
Supplementary Budget Estimates October 2023

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Special Purpose Aircraft



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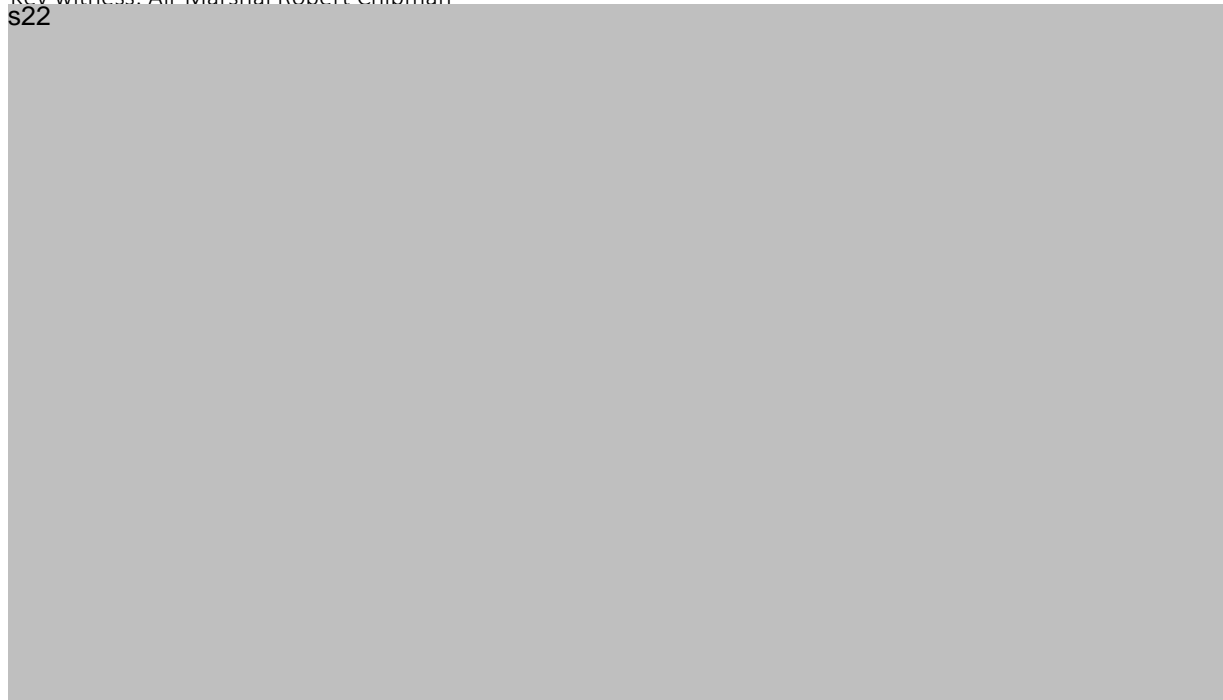
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#### Recent Ministerial Comments

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#### Relevant Media Reporting

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- On 27 March 2023, RiotAct published an article titled [Canberra-based 737BBJ Government VIP aircraft fleet to be refreshed](#). Journalist Andrew McLaughlin reported the Federal Government's two 737 Boeing Business Jet Special Purpose Aircraft would be replaced and referenced Defence documents tendered to Senate Estimates.

<b>Division:</b> Air Force	
<b>PDR No:</b> SB23-000720	
<b>Prepared by:</b> Air Commodore David Titheridge Director General Air Capability Enablers – Air Force Mob: s47E(d) Ph: s47E(d) Date: 17 August 2023	<b>Cleared by Division Head:</b> Air Vice-Marshal Wendy Blyth Head of Air Force Capability Air Force Mob: s47E(d) Ph: s47E(d) Date: 29 August 2023
<b>Consultation:</b> Capability and Sustainment Group Air Vice-Marshal Graham Edwards Head Aerospace Systems Division	Date: 24 August 2023 Mob: s47E(d) Ph: s47E(d)
<b>Cleared by CFO:</b> Lynette Daly Assistant Secretary Finance – Air Force	Date: 20 September 2023
<b>Consultation:</b> Headquarters Air Mobility Group Air Commodore Bradley Clarke Commander Air Mobility Group	Date: 15 August 2023 Mob: s47E(d) Ph: s47E(d)
<b>Cleared by Deputy Secretary (or equivalent Band 3/3*):</b> Air Marshal Robert Chipman Chief of Air Force Air Force Date: 19 October 2023	

Questions on notice referred to within the brief:

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Special Purpose Aircraft

## Senate Estimates

Senator Raff Ciccone

Question Number: 34

Date question was tabled: 9 November 2022

## Question

CHAIR: And when you say 'government', as in the minister of the day or the department secretary?

Air Vice-Marshal Phillips: The previous government.

CHAIR: And which minister signed off on that?

Air Vice-Marshal Phillips: I will have to take that on notice as to who made that determination.

CHAIR: If you could, that would be great.

## Answer

In December 2021, former Prime Minister Scott Morrison advised via letter to the then Minister for Defence Peter Dutton and the then Minister for Finance Senator Birmingham of his agreement to the lease of two new Boeing 737-8 BBJ aircraft to ensure continuity of provision of the medium capacity Special Purpose Aircraft when the lease on the existing BBJ expires in 2024.

### Prepared By:

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~~OFFICIAL: SENSITIVE~~

**BRIEF FOR DEPSEC CASG: MEDIUM SPECIAL PURPOSE AIRCRAFT  
REPLACEMENT REQUEST TO SOLE SOURCE PROJECT DELIVERY SERVICES**

Division/Branch: ASD

Reference: BM56452667

Branch: ATS

Due Date: April 2023

**Recommendations:**

1. That you:
  - a. **Note** that the Medium Special Purpose Aircraft (MSPA) project will deliver two Boeing Business Jets (BBJ) 737-8 to the Australian Government in March and July 2024.
  - b. **Agree** to maintain the current team supporting project delivery through a sole source contract with KPMG Australia (KPMG) for subject matter expertise including Project Management, Engineering & Technical, Integrated Logistics Support and Commercial.

**References:**

- A. Approval to Engage a Contractor, Consultant or Outsourced Service Provider for the current contract with KPMG for the MSPA project (zBM2949521).

**Reason for sole sourcing**

2. The MSPA project is on schedule to deliver two new BBJs in March and July 2024.
3. The current contract for MSPA project delivery services with KPMG Australia (KPMG) ends 30 June 2023. Future Air Mobility Systems Program Office (FAMSPO) seek endorsement to sole source directly with KPMG until project closure (commencing 01 July 2023 for 18 months with a six month extension option).
4. KPMG provide the core project delivery team: Integrated Project Manager, Project Engineering Manager, Integrated Logistics Support Manager, Project Support Officer, and Commercial and ICT Certification & Accreditation support.
5. FAMSPO does not have sufficiently skilled, experienced and available APS and ADF workforce to replace this team.
6. The services provided by KPMG cannot be transferred to the ATS Branch MSP due to the project being mid-way through the aircraft acceptance process, the aggressive schedule to aircraft delivery, ongoing project sensitivities and the extensive and critical knowledge-base.

Chris, the VIP 737BBJ replacement is an important project for us, especially our reputation with Government. On track, but tight. KPMG are vital to us delivering this so swapping them out or re competing mid project counter productive in my view. LNP HASD

<b>Endorsed By:</b>  s47F  <b>S PESCE</b> AIRCDRE DGATS	<b>Endorsed By:</b>  s47F  <b>L PHILLIPS</b> AVM HASD	(a) <b>NOTED</b> Please discuss (b) <b>AGREE</b> / Please discuss  s22  <b>C DEEBLE</b> Mr DEPSEC CASG <b>24</b> Apr 2023
Action Officer: s47F	W: s47E(d)	Mob: s47E(d)



~~OFFICIAL: SENSITIVE~~

**Undertaking to negotiate on panel rates**

7. FAMSPO is negotiating with KPMG on discounts on DSS panel rates and value add services to the Commonwealth. These include complementary training and certification on a choice of relevant subjects including Lean Fundamentals, Design Thinking, Asset Management and Strategic Planning. Training will be delivered by certified KPMG trainers and include materials and the use of KPMG facilities.

**Impact if request is denied**

8. Should the delegate not agree to this request, it is almost certain that that the project will not achieve aircraft delivery in March and July 2024, resulting in increased safety issues associated with existing fleet, cost impacts to the CAF09 sustainment budget for the BBJs, and political and reputational damage to Defence.

9. As of 1 July 2023, the Project Manager, Project Engineering Manager, Integrated Logistics Support Manager, Project Support Officer and Commercial and ICT Certification & Accreditation support will depart from the project and a new team will need to be on-boarded.

**Background**

10. In 2020 Government approved the replacement of two 737-NG BBJ SPA with new 737-8 BBJ. This resulted in the MSPA project being stood up. The project is currently in Phase Two – Acquire and Phase Three – Transition.