

Supplementary Budget Estimates: February 2023

Last updated: 16 December 2022

Key witness: Air Marshal Robert Chipman

PDR No: SB22-000527

Special Purpose Aircraft

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in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn mid-2024.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

s22

Prepared By:

Name: **s47F**

Position: Acting Deputy Director RAAF Ministerial Liaison Office

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

s22



Key Facts and Figures

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in the provision of medium capacity Special Purpose Aircraft capability when the existing Boeing Business Jets are withdrawn.
- The two Boeing Business Jets are scheduled to reach a planned withdrawal date mid-2024.

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Position: Acting Deputy Director RAAF Ministerial Liaison Office
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

Medium Special Purpose Aircraft Replacement

PDR No: SB22-000527

Special Purpose Aircraft

- 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.

s22

**Prepared By:**

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Position: Acting Deputy Director RAAF Ministerial Liaison Office

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
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PDR No: SB22-000527
 Special Purpose Aircraft

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.

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

Prepared By:

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 Position: Acting Deputy Director RAAF Ministerial Liaison Office
 Branch: Air Force
 Phone: [REDACTED]

Cleared By:

Name: Air Marshal Robert Chipman
 Position: Chief of Air Force
 Service: Air Force
 Phone: [REDACTED]

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:

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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)**

Special Purpose Aircraft

s22

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

s22

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Name: **s47F**
Position: Acting Director General Air Capability Enablers
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Name: Air Marshal Robert Chipman
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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Position: Acting Director General Air Capability Enablers

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 Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

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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Position: Acting Director General Air Capability Enablers

Branch: Air Force

Phone: **S47E(d)**

Cleared By:

Name: Air Marshal Robert Chipman

Position: Chief of Air Force

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Phone: **S47E(d)**

Supplementary Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

s22

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.

Division:	Air Force	
PDR No:	SB23-000098	
Prepared by: s47F [REDACTED] Acting Director General Air Capability Enablers Mob: s47E(d) Ph: s47E(d)	Cleared by Division Head: Air Commodore David Titheridge, Acting Head of Air Force Capability. Mob: s47E(d) Ph: s47E(d)	Date: 14 December 2022
Date: 9 December 2022		
Consultation: 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)	

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Supplementary Estimates: February 2023

Last updated: 17 January 2023

Key witness: Air Marshal Robert Chipman

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

Prepared By:Name: **S47F**

Position: Acting Director General Air Capability Enablers

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Phone: **S47E(d)****Cleared By:**

Name: Air Marshal Robert Chipman

Position: Chief of Air Force

Service: Air Force

Phone: **S47E(d)**

Key witness: Air Marshal Robert Chipman

Special Purpose Aircraft

s22

Key Messages

s22

- 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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Budget Estimates: May 2023

Last updated: 27 April 2023

Key witness: Air Marshal Robert Chipman

s22

- 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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Service: Air Force
Phone: s47E(d)

Key witness: Air Marshal Robert Chipman

Key Facts and Figures

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.
- 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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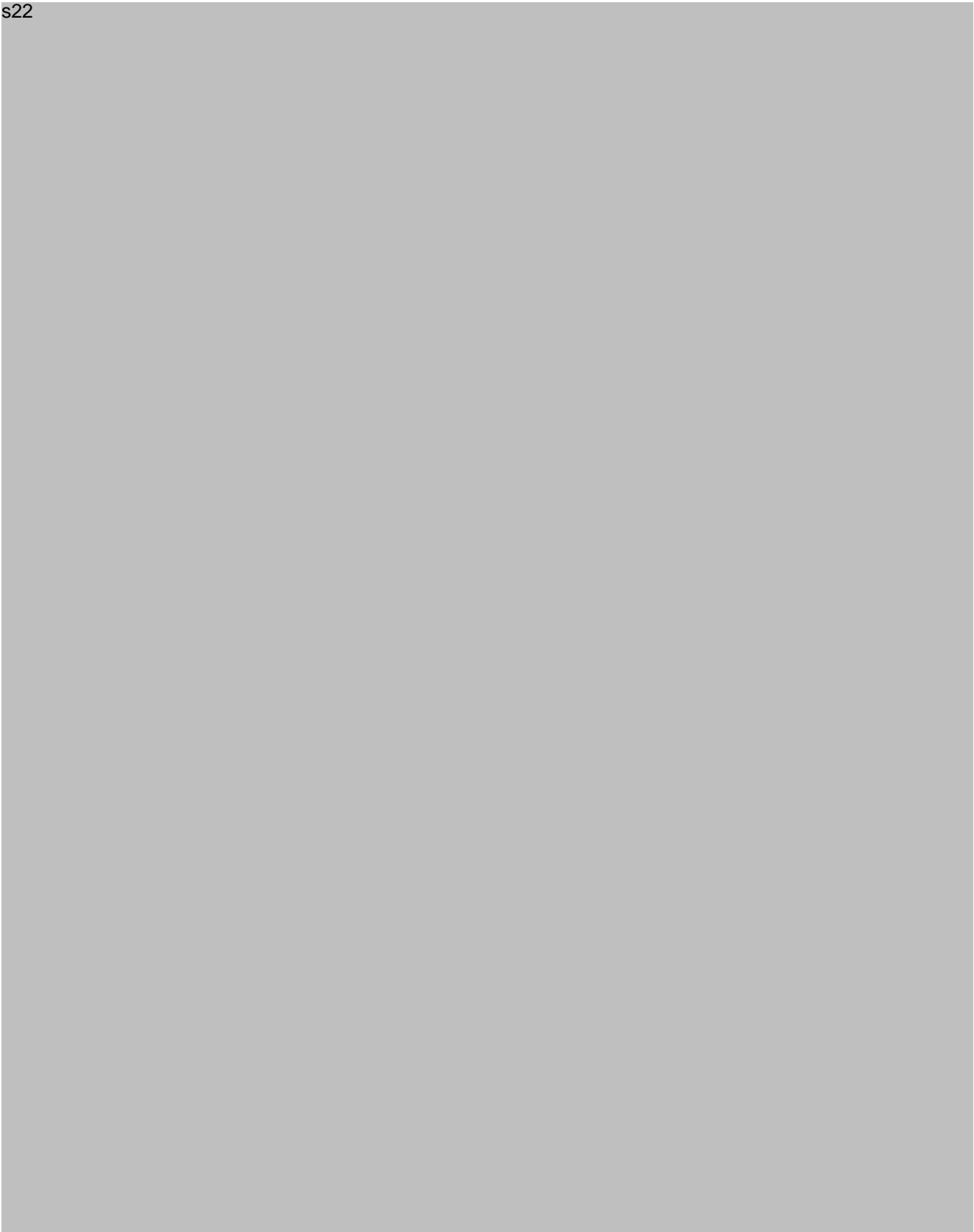
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Budget Estimates: May 2023

Last updated: 27 April 2023

Key witness: Air Marshal Robert Chipman

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Key witness: Air Marshal Robert Chipman

Supporting Information

Questions on Notice

- No QoNs asked.

Freedom of Information (FOI) Requests

s22



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Budget Estimates: May 2023

Last updated: 27 April 2023

Key witness: Air Marshal Robert Chipman

Recent Ministerial Comments

- No recent comments.

Relevant Media Reporting

- None identified.

Division:	Air Force	
PDR No:	SB23-000403	
Prepared by: Air Commodore David Titheridge Director General Air Capability Enablers – Air Force Mob: S47E(d) Ph: S47E(d) Date: 30 March 2023	Cleared by Division Head: Air Vice-Marshal Wendy Blyth, Head of Air Force Capability Mob: S47E(d) Ph: S47E(d) Date: 27 April 2023	
Consultation: 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)	
Cleared by CFO / DPG / DSR:	N/A	
Cleared by Service Chief: Air Marshal Robert Chipman, Chief of Air Force	Date: 27 April 2023	

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Supplementary Budget Estimates October 2023

Last updated: 8 September 2023

Key witness: Air Marshal Robert Chipman

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PDR No: SB23-000720

Special Purpose Aircraft

Special Purpose Aircraft

s22

Key Messages

s22

- 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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Position: Chief of Air Force

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

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PDR No: SB23-000720
Special Purpose Aircraft

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Supplementary Budget Estimates October 2023

Last updated: 8 September 2023

Key witness: Air Marshal Robert Chipman

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PDR No: SB23-000720

Special Purpose Aircraft

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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Supplementary Budget Estimates October 2023

Last updated: 8 September 2023

Key witness: Air Marshal Robert Chipman

PDR No: SB23-000720

Special Purpose Aircraft

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.

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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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Supplementary Budget Estimates October 2023

Last updated: 8 September 2023

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

Last updated: 8 September 2023

Key witness: Air Marshal Robert Chipman

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

s22



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Special Purpose Aircraft

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Page 7 of 11

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Supplementary Budget Estimates October 2023
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Key witness: Air Marshal Robert Chipman

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PDR No: SB23-000720
Special Purpose Aircraft

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Supplementary Budget Estimates October 2023
Last updated: 8 September 2023
Key witness: Air Marshal Robert Chipman
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PDR No: SB23-000720
Special Purpose Aircraft

Recent Ministerial Comments

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Relevant Media Reporting

s22

Prepared By:

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PDR No: SB23-000720

Special Purpose Aircraft

- 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.

Division:	Air Force	
PDR No:	SB23-000720	
Prepared by:	Air Commodore David Titheridge Director General Air Capability Enablers – Air Force Mob: §47E(d) Ph: §47E(d) Date: 17 August 2023	
Cleared by Division Head:	Air Vice-Marshal Wendy Blyth Head of Air Force Capability Air Force Mob: §47E(d) Ph: §47E(d) Date: 29 August 2023	
Consultation:	Date: 24 August 2023 Capability and Sustainment Group Air Vice-Marshal Graham Edwards Head Aerospace Systems Division Mob: §47E(d) Ph: §47E(d)	
Cleared by CFO:	Date: 20 September 2023 Lynette Daly Assistant Secretary Finance – Air Force	
Consultation:	Date: 15 August 2023 Headquarters Air Mobility Group Air Commodore Bradley Clarke Commander Air Mobility Group Mob: §47E(d) Ph: §47E(d)	
Cleared by Deputy Secretary (or equivalent Band 3/3*):	Date: 19 October 2023 Air Marshal Robert Chipman Chief of Air Force Air Force	

Questions on notice referred to within the brief:

Prepared By:

Name: Air Commodore David Titheridge
 Position: Director General Air Capability Enablers
 Division: Air Force
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Supplementary Budget Estimates October 2023

Last updated: 8 September 2023

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PDR No: SB23-000720

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:

Name: Air Commodore David Titheridge

Position: Director General Air Capability Enablers

Division: Air Force

Phone: §47E(d)**Cleared By:**

Name: Air Marshal Robert Chipman

Position: Chief of Air Force

Group/Service: Air Force

Phone: §47E(d)

Page 11 of 11

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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 s22

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.
s22
 - 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

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

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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 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.