

**ADM** AUSTRALIAN DEFENCE MAGAZINE  
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The future littoral combat ship USS *Tulsa* arrives in San Diego after completing its maiden voyage from the Austal USA shipyard. US NAVY

# Austal USA offices raided by US Navy over LCS build

**Ewen Levick | Sydney**

**The Alabama offices of Austal’s American subsidiary, Austal USA, have been raided by US Navy investigators.**

According to US [media reports](#), officers from the Naval Criminal Investigative Service (NCIS), Defense Criminal Investigative Services (DCIS), and the US Department of Defense searched desks and computers for ‘several hours’ at the subsidiary’s headquarters in Mobile.

The raid came shortly after Austal filed an announcement through the ASX that it is “assisting an investigation by ASIC [Australian Securities Investment Commission] into market announcements by the Company with respect to earnings from its Littoral Combat Ship [LCS] program.”

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Whilst initial reports on the weekend were unclear as to whether the US Navy and ASIC investigations are linked, Austal filed an ASX update on Tuesday confirming that the investigations are 'separate but related'.

"[Austal's] USA division is assisting US regulatory authorities with separate but related open investigations and any associated legal processes in relation to the LCS program," Austal said in a statement.

"Austal USA is fully co-operating with US authorities so that [the] investigation may be completed as soon as reasonably possible.

"Austal cannot provide additional information at this time, but will update shareholders of future developments."

**"[Austal's] USA division is assisting US regulatory authorities with separate but related open investigations"**

The market announcements under investigation refer to a warning made in 2016 revealing an annual loss suffered in relation to a cost blowout on the LCS program. Austal attributed the blow-out to the cost of meeting US shock rating standards, which measure a ship's ability to withstand a local blast.

The news led to a sharp drop in the company's share price and a trading halt.

Both of the US Navy's LCS variants suffered a [number of setbacks](#) in 2016. The Independence-class USS *Coronado* had an engine breakdown during its maiden deployment, the Freedom-class USS *Freedom* suffered significant damage to its main diesel engine after seawater entered the engine lube oil system, and Freedom-class US Ships *Fort Worth* and *Milwaukee* suffered damage to clutch gears.

The Independence-class ships are built by Austal USA and the Freedom-class by Lockheed Martin and Marinette Marine.

The US raid coincided with the news the Austal has secured a US\$21.1 million sustainment contract for the future USS *Cincinnati*.

## Pyne 'open' to freedom of navigation operations

**Ewen Levick | Sydney**

**Minister for Defence Christopher Pyne has hinted that Australia may commence freedom of navigation operations in the South China Sea in a speech given in Singapore.**

The speech was given to the Fullerton Forum, which is described as a 'catalyst' for the Shangri-la Dialogue held later in the year by hosting think-tank the International Institute for Strategic Studies. The forum is held as a 'barometer' of regional tension and an opportunity for states to put forth their defence policies.

In his speech, Minister Pyne rejected characterisations of the rivalry between the US and China as a new Cold War.

"I do not agree with commentators who have sought to describe emerging great power competition as a new Cold War," Minister Pyne said. "It's a simplistic and unsophisticated characterisation of [the] geostrategic paradigm.



HMAS *Melbourne* prepares to conduct a night time replenishment at sea with HMAS *Sirius* while transiting in the South China Sea.

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## “We are open to conducting multilateral activities in the South China Sea to demonstrate that they are international waters”

“Any division of the region into Cold War-like blocs is doomed to failure, since it would necessitate false choices between prosperity and security.”

The Minister also rejected the notion that the West is seeking to contain China, but acknowledged that the ‘increasing anxiety’ around China’s actions in its near abroad could warrant ‘multilateral activities’ reasserting freedom of navigation rights.

“We will face some difficult decisions about how to prioritise limited resources in this more complex and contested environment,” Minister Pyne said.

“The building and militarisation of artificial features in the South China Sea, for instance, has not increased regional confidence in China’s strategic intentions. Instead, it has increased anxiety.

“As such, we are open to conducting multilateral activities in the South China Sea to demonstrate that they are international waters.”

The ADF has so far resisted pressure to sail a warship within 12 nautical miles of artificial islands constructed across the South China Sea. Last year, three Australian ships were challenged by Chinese vessels during a transit to Vietnam.

The confrontation apparently involved ‘polite but robust’ dialogue, although senior government officials refused to comment further.

The ADF conducts overflights of the South China Sea using maritime surveillance aircraft posted to RMAF Butterworth in Malaysia. These are routinely challenged by Chinese radio broadcasts.

# Project delays still a headache

Ewen Levick | Sydney

**ANAO's 2017-2018 [Major Projects report](#) has highlighted project slippage as an area of concern for Defence.**

As Managing Editor Katherine Ziesing said in this month's [editorial](#), the 'golden triangle' of project management – cost, capability, and schedule – rarely align, and if managers are going to pick one to fail, then it will be scheduling: "One senior Commonwealth leader once remarked to me that he could be held criminally responsible for his performance on capability and cost but not schedule."

The number-crunchers at ANAO have proved this maxim true. Whilst delays in achieving Final Operating Capability will hardly come as a surprise to readers, the growth in their frequency makes for alarming reading, with 26 selected projects amassing 801 cumulative months of delays as of June last year.

The figure represents a 32 per cent increase since Second Pass approval.

The projects guilty of significant contributions to the total cumulative figure include the Collins R&S and Replacement Combat System projects (112 and 109 months total slippage respectively), MRH-90 Taipan helicopters (89 months), and the Anzac-class anti-missile defence upgrade (67 months).

Of these, the Taipan suffered the greatest in-year setback, delaying FOC by another 29 months. The UHF Satcom program was delayed a further 12 months, and battle communication systems (Project Currawong) set back 13.

ANAO acknowledges that projects with the 'most developmental content', including the Taipans and Anzac-class missile defence upgrades, experienced the most delay.

The report then reaches another unsurprising conclusion: "A focus on MOTS (military off-the-shelf) acquisitions has assisted in reducing schedule slippage."

**"26 selected projects amassed 801 cumulative months of delays as of June last year"**



LTCOL Kim Gilfillan, WO1 Terry Hangan (right), and Wulgurukaba representative Brenton Creed unveil MRH 90 Gurindal, the Wulgurukaba word for 'vigilance'. DEFENCE

Another measure of project status is the difference between budget spent and time elapsed. Four projects had a budget spend over 20 per cent less than expected in the time elapsed – the F-35, C-27Js, Project Currawong, and the LHD landing craft. The report, however, did not classify these programs as 'at risk' because each discrepancy was attributable to unique payment scheduling and contingency funding arrangements.

The report also notes that underestimation of scope and complexity, "particularly for Australianised MOTS and developmental projects," is the primary culprit for project slippage.

**ADM Comment:** Underestimation of complexity is a reflection of the competitive environment surrounding major tenders, but also mirrors a deeper tendency to try and bury bad news (brought to light last year by Thales' legal actions against the ANAO report into Hawkei).

The Major Projects report may make for difficult reading on an annual basis, yet given the progress of major complex programs in the pipeline, some 'lessons learned' need to be turned into 'lesson applied'.

#### MOST READ ONLINE AT WWW.AUSTRALIANDEFENCE.COM.AU



1. [Greece shows interest in buying RAN FFGs](#)
2. [Local F-35s begin flying operations](#)
3. [Defence spells out new plans for Benalla](#)
4. [Construction begins on first Arafura class OPV](#)
5. [From the Source: Christopher Pyne](#)

## RAAF deploys for US air warfare training

**The RAAF has deployed more than 370 personnel and eight aircraft to participate in the world's most complex air warfare training at Exercise Red Flag Nellis 19-1 in the US.**

The Exercise Red Flag series is hosted by the USAF 414th Combat Training Squadron several times a year with a number of domestic and international participants.

Air Commander Australia, Air Vice-Marshal Steve Robertson said there were a number of benefits of Australia participating in the exercise.

"RAAF will train with the USAF, US Navy and the RAF in a complex reconstruction of a modern battlespace," AVM Robertson said.

"Up to six F/A-18A Classic Hornets from Number 77 Squadron, one E-7A Wedgetail Airborne Early Warning and Control aircraft from Number 2 Squadron and one AP-3C Orion aircraft from Number 10 Squadron have flown over for the exercise.

"Air Force personnel will deploy to support the aircraft, operate an Australian Task Group Headquarters, augment the Combined Air Operations Centre with our coalition partners, provide cyber

**"RAAF will train with the USAF, US Navy and the RAF in a complex reconstruction of a modern battlespace"**



F-35A Joint Strike Fighters fly in formation with an F/A18 Hornets.

DEFENCE

capabilities, and establish a Control and Reporting Centre.

“Not only are we learning from our partners and how we can best operate with each other, we are continuing our strong relationships that will enhance and strengthen our coalition into the future.”

Established in 1980 by the US Air Force, Exercise Red Flag provides personnel with an opportunity to experience a complex, modern and dynamic combat landscape.

The RAAF is also scheduled to take part in a virtual Red Flag exercise later this year.

## Rheinmetall trucks to haul Swedish air defences

**Rheinmetall has been awarded a contract from the Swedish armed forces to supply vehicles for transporting Patriot air defence systems.**

From 2021, Rheinmetall will supply Sweden with a total of forty trucks from its HX series, including 16 tractor trucks and 24 transport vehicles. The order is in the double-digit million-euro range.

FMV, the Swedish procurement authority, has already ordered other HX vehicles for its logistics corps.

HX2s are among the world’s most widely used military trucks. Some 10,000 are currently in service with the UK, Australia, NZ and Denmark. Norway, Sweden, and most recently Germany have all placed substantial orders with Rheinmetall.

The newly awarded order is the first joint procurement project of Raytheon and Rheinmetall since the launch of their teaming agreement in March 2018.

Raytheon’s Patriot system forms the backbone of integrated air defence and anti-missile defence for seven NATO nations.

ADM understands that Raytheon’s [proposal](#) for Second Pass consideration for the Land 19 7B project this year will be based

**“The newly awarded order is the first joint procurement project of Raytheon and Rheinmetall since the launch of their teaming agreement”**



US soldiers talk after a routine inspection of a Patriot missile battery.

US ARMY

on the proven Raytheon/Kongsberg NASAMS (National Advanced Surface to Air Missile System) that is fielded by seven nations, including the US, , with support from local radar house CEA Technologies under a solution known as Medusa.

The system provides ground-based air defence against fixed wing aircraft, helicopters, cruise missiles and unmanned aerial systems using the Raytheon AIM-120 missile.

Both options under consideration include the potential integration onto ADF trucks and Hawkei vehicles.

## Garden Island project drives Indigenous engagement

**The Garden Island (Bayinguwa) project is a keystone in Defence's support for the Commonwealth Indigenous Procurement Policy, which aims to spur demand for Indigenous businesses and stimulate economic development.**

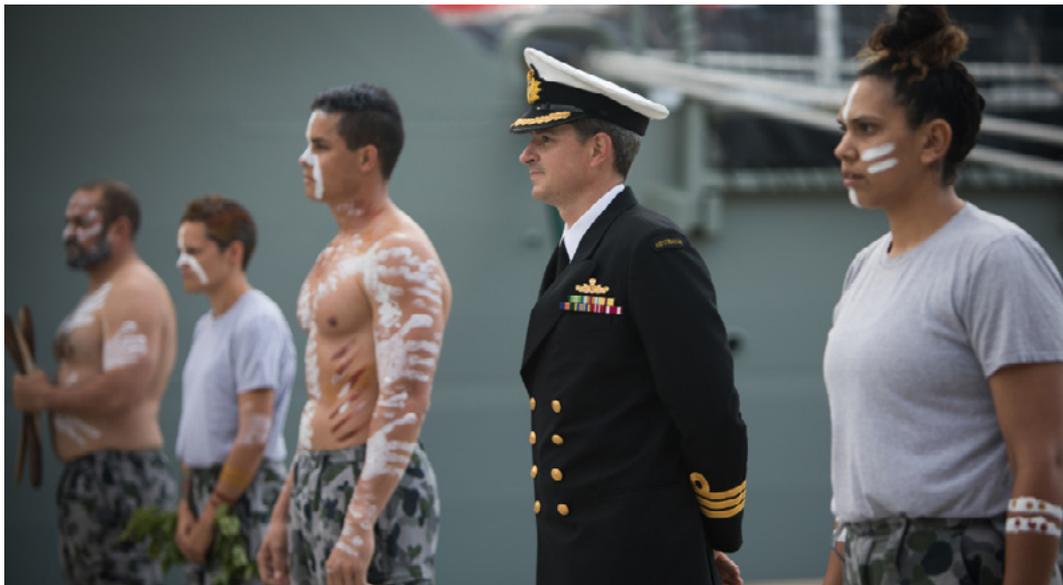
The Department invested \$452 million in engaging Indigenous businesses in the last financial year, a significant jump from the \$108 million the year prior.

Much of this spend can be attributed to the Garden Island refurbishment works, run by managing contractor and Indigenous construction and project service provider PSGH.

The initial scope of the Garden Island project, identified in early 2014, involved an upgrade of the Cruiser Wharf to address the existing conditions as well as identifying structural and engineering services risks.

However, the initial scope would not meet the Navy's long terms needs, and so the project was expanded to involve demolishing the existing Cruiser and Oil Wharfs, constructing a new single continuous wharf in their place on a new alignment, and extending the adjoining East Dock Wharf to meet the new realigned wharf.

PSGH managed the design with the resulting cost plan totalling \$213 million before [bringing on Lendlease](#) into a joint venture called the Garden Island



RAN's Bungaree troupe of Indigenous dancers and Captain John Stavridis.

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## “The Department invested \$452 million in engaging Indigenous businesses in the last financial year”

Bayinguwa Delivery Team (GIBDT).

To date, GIBDT has navigated a successful design phase, commenced the procurement process, turned the first sod on site, and run several cultural awareness workshops with Lendlease.

The two companies have committed to an Indigenous Engagement Plan that set a four per cent target for Indigenous employment and another four per cent target for Indigenous procurement.

“We’re delighted to be involved in this major project in support of Navy,” Troy Rugless, PSGH Managing Director, said.

“Working with Defence has been critical in enabling PSGH to grow its business.

“The support provided by Lendlease has provided a huge opportunity to engage a number of other indigenous businesses.”

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# Forthcoming Events

## ADM EVENTS

More detail on **ADM** Events can be found on our dedicated website: [admevents.com.au](http://admevents.com.au)

- [ADM Congress 2019](#) – 13 February 2019
- [ADM Space Summit](#) – 30 April 2019
- Women in Defence Awards – 11 July 2019
- [ADM STEM and Defence Summit](#) – 14 August 2019
- [ADM Defence Estate and Base Services Summit](#) – 12 September 2019
- [ADM North Australian Defence Summit](#) – 23-24 October 2019

## AIDN National Gala Dinner 2019

**Date** 13 February 2019

**Location:** National Gallery of Australia, Canberra

**Website** [consec.eventsair.com/aidn-2019/dinner/site/register](http://consec.eventsair.com/aidn-2019/dinner/site/register)

The AIDN National Gala Dinner will be held at the stunning Gandel Hall, National Gallery of Australia on Wednesday 13 February 2019 commencing with pre dinner drinks and networking from 7.00pm. Guests will enjoy an evening of networking, socialising and fun which includes a VIP guest speaker, presentation of the AIDN National Young Achiever Award and Silent Auction with all proceeds donated to Legacy.

## BMT's Introduction to Fleet Life Cycle Management (Canberra)

**Date** 18-22 February 2019

**Location** Canberra

**Website** <https://www.bmt.org/training/introduction-to-fleet-life-cycle-management-course/>  
BMT's, five-day Introduction to Fleet Life Cycle Management course covers all aspects of naval life cycle management. The modules provide detailed insight into Asset Management and its applications to naval ships and support systems in Defence's maritime environment.

## Avalon Airshow 2019

**Date:** 26 February – 3 March 2019

**Location:** Avalon Airport

**Website:** [airshow.com.au/airshow2019](http://airshow.com.au/airshow2019)

The Australian International Airshow and Aerospace & Defence Exposition is one of Asia-Pacific's most prestigious aviation and aerospace events and the most comprehensive aviation, aerospace and defence exposition in the southern hemisphere. Avalon hosts multiple concurrent conferences and expo streams, across the spectrum of Defence, Airlines, Business and General Aviation, Sport and Recreational Aviation, Airports, MRO, Space, Unmanned Systems, Air Safety and Ground Equipment.

## Project Leaders as Humble Iconoclasts

**Date** 14 March 2019

**Location** Online, 13:30-14:30

**Website** <https://iccpm.com/events/>

[project-leaders-as-humble-iconoclasts-with-dr-kaye-remington/](https://iccpm.com/events/project-leaders-as-humble-iconoclasts-with-dr-kaye-remington/)

A 1-hour webinar hosted by Dr Kaye Remington, internationally renowned author, academic & complex project specialist. In preparation for her book *Leading Complex Projects*, Kaye and her research team interviewed over 100 successful senior project leaders. These highly successful project leaders consistently exhibited certain key characteristics and behaviours. In this webinar, Kaye discusses some of the outstanding characteristics that distinguished those leaders.

## What Does a Project Manager of the Future Look Like?

**Date** 28 March 2019

**Location** EAST Hotel, Canberra

**Website** <https://iccpm.com/events-2/what-does-a-project-manager-of-the-future-look-like/>

The future success of an organisation relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. The challenge and problems created by workplace diversity can be turned into a strategic organisational asset if an organisation is able to capitalise on this melting pot of diverse talents. Come and join our ICCPM hosted Breakfast Panel Discussion where our panellists will be sharing their experiences and perspectives from different industries and positions on managing and leveraging diverse talents.

## The National Police, Defence and Emergency Services Women's Leadership Summit

**Date** 29 March

**Location** Hyatt Hotel, Canberra

**Website** [www.wla.edu.au](http://www.wla.edu.au)

The National Police, Defence and Emergency Services Leadership Summit is a major annual event for women at all levels to connect, share ideas and build their leadership skills. Created by Australia's leading authority on women's leadership, Women & Leadership Australia, the Summit has been developed in consultation with a broad range of stakeholders across these sectors.

## Export Control Training Session

**Date** 03 April 2019

**Location** 60 Clarence St, Sydney

**Web** <https://www.stickytickets.com.au/81012>

Join us for a 1-day face-to-face training course to de-mystify the complex area of Export Control regulations. The course will address an overview of the ITAR, EAR, and DEC; how the ITAR and EAR apply to all areas of your business; advice on employing dual and third country nationals; licensing and permit requirements; and more.

## BMT's Introduction to Fleet Life Cycle Management (Perth)

**Date** 01-05 May 2019

**Location** Perth

**Website** <https://www.bmt.org/training/introduction-to-fleet-life-cycle-management-course/>  
BMT's, five-day Introduction to Fleet Life Cycle Management course covers all aspects of naval life cycle management. The modules provide detailed insight into Asset Management and its applications to naval ships and support systems in Defence's maritime environment.

## IMDEX Asia 2019

**Date** 14-16 May

**Location** Changi Exhibition Centre, Singapore

**Website** [indexasia.com](http://indexasia.com)

Coming to its 12th edition, the biennial IMDEX Asia is Asia Pacific's premier international maritime defence show and a must-attend event in the global naval and maritime security calendar. With established conferences and real-time discussions on maritime security, IMDEX Asia draws a plethora of global leaders and distinguished guests.

## AusCERT Conference 2019

**Date** 28-31 May 2019

**Location** Gold Coast

**Website** <https://conference.auscert.org.au>

The AusCERT Conference is the oldest information security conference in Australia. Each year, we attract in the vicinity of 700 participants and approximately 50 sponsors. This year's conference is focused on gaining as many tools for you and your team's toolbox as possible to ensure you are armed and ready for any battle you may face.

## Paris Air Show

**Date** 17-23 June 2019

**Location** Le Bourget

**Website** [siae.fr/en/](http://siae.fr/en/)

The 53rd Paris Air Show will once again bring together all the players in this global industry around the latest technological innovations. The first four days of the Show will be reserved for trade visitors, followed by three days open to the general public.

## Pacific 2019

**Date** 8-10 October 2019

**Location** Sydney Convention Centre

**Website** [pacific2019.com.au](http://pacific2019.com.au)

As the only comprehensive international exhibition of its kind in the Indo-Asia-Pacific region, PACIFIC 2019 will again provide the essential showcase for commercial maritime and naval defence industries to promote their capabilities to decision-makers from around the world.

## MilCIS 2019

**Date** 12-14 November 2019

**Location** Canberra Convention Centre

**Website** <http://www.milcis.com.au/>

In November each year, the Defence Chief Information Officer Group (CIOG) partners with the UNSW Canberra and the Institute of Electronic and Electrical Engineers (IEEE) to present MilCIS. The annual Military Communications and Information Systems (MilCIS) Conference welcomes military and government organisations, academia, and defence industries to contribute to the future direction of military communications and information systems.