

Submission Defence 00561-19: Maritime Patrol Aircraft Replacement Project - approval to award contract

TO: Minister
STATUS: Completed
PURPOSE: For Approval

AUTHOR: Grainne Guinan
OWNER: Grainne Guinan
REVIEWERS: Fiona Lafferty
Grainne Guinan
Maurice Quinn

DIVISION: Contracts
DECISION BY:

Final comment

Minister signed 10th December 2019

Action required

Submission for Secretary General and Ministerial approval to proceed with a Memo to Government to award the contract for the Maritime Patrol Aircraft Replacement Programme

Executive summary

Detailed information

Minister

Re: Maritime Patrol Aircraft Contract Award

1. The CASA replacement project has now reached the award of contract stage. This follows the key milestones: the analysis leading to decision in the White Paper in 2015 to proceed; the comprehensive procurement process started in 2017; the tender competition; and recent outcome of the subsequent negotiations. While the value of the contract is substantial, this is essentially the replacement of an existing asset to continue the roles assigned by Government. Given the value of the contract for the replacement aircraft and following discussions with D/PER on the Public Spending Code, it is considered prudent to inform Government that the process has reached the award of contract stage.
2. Attached are:
 - Memo for the Information of Government of an intention to award the contract.
 - A background note from A/SG Dowling
 - The submission to the HLPPG on the finalised negotiations.
 - A useful comparison between the existing CASA 235 and the replacement C295
3. The tender requirement covered the following:
 - two identical multi engine turboprop aircraft commercially available and currently in military service
 - to be equipped with the best available, best quality, integrated avionics, auto-flight and instrumentation systems.
 - as well as being capable of operating in the Maritime Patrol Aircraft role, to be capable of being converted to operate in Search and Rescue, Logistics (Cargo/Personnel/VIP), Special Operations Forces Operations, MEDEVAC/CASEVAC/Air Ambulance roles and Utility roles.
 - certified for multi-pilot, day and night, visual flight rules and instrument flight rules and flight into icing conditions.
 - two complete integrated mission systems and the maintenance structure to support these platforms.
4. Contract negotiations with Airbus Defence and Space have now been completed after careful consideration of the suite of on-board equipment and capabilities. The contract is for provision of two aircraft and two mission systems in the agreed final specification together with spare parts, ground support equipment, training plan and optional equipment as outlined in the detailed memo. This contract is at the sum of €221,577,935 VAT inclusive – a reduction in some €2m on the original amount submitted to HLPPG – due to fine-tuning on spare parts.

5. A down-payment will be made in 2019, followed by agreed milestone payments throughout the contract until 2023. As with the very successful ships project, some flexibility will be built into the payment schedule to match progress with delivery and available funding.
6. Investment in major Defence projects is included in the Government's Infrastructure and Capital Investment Plan 2016-2021. The procurement proceeded according to the well-tested internal Defence structures and processes which adhere to the Public Spending Code requirements (An updated version of the Public Spending Code is coming to Government).
7. There is potential for €12 million in co-financing from the European Maritime Fisheries Fund 2014-2020 for this project. Note that the timing of this funding may become dependent on engagement between the Department of Agriculture and the Marine and the European commission on a fishery protection policy matter.
8. The service life of the new aircraft is expected to be up to 25 years. In order to meet the roles assigned and build in contingency appropriate to the operational scenarios that may arise in that time period, a significant range of additional equipment has been chosen. This includes defensive equipment for use in possible hostile scenarios. As Mr. Dowling points out, while the inclusion of this equipment is a worthwhile and necessary contingency, it does not pre-suppose any decision of Government about possible future deployments to conflict zones.
9. The two aircraft will be delivered on a phased basis in January 2023 and July 2023 respectively. This delivery schedule will be shortened if the possibility arises

Submitted please.

Maurice Quinn,
Secretary General

Related submissions

There are no related submissions.

Comments

Grainne Guinan - 04/12/2019 13:33
Fiona

Draft submission for your review.

Regards

Gráinne

Fiona Lafferty - 04/12/2019 14:32
For your review please.

Fiona Lafferty - 06/12/2019 16:35
Maurice I wasn't sure whether you wanted to delete reference to PSC in your note to the Minister, I have left it in for the moment. All other attachments have been updated to reflect the revised Memo.

Maurice Quinn - 06/12/2019 16:40
as discussed

Fiona Lafferty - 06/12/2019 16:59
As discussed. The revised speaking note which you sent me at 4.30 pm is attached below which will need to go to the Minister's Advisor before the Cabinet meeting.

Maurice Quinn - 06/12/2019 17:13

As per the detailed information and attachments

Maurice Quinn - 09/12/2019 10:52

As per attached submission

Cliona O'Sullivan - 10/12/2019 16:57

Minister signed 10th December 2019

User details

INVOLVED: Grainne Guinan

Fiona Lafferty

Des Dowling

Sub Sec Gen Office

Maurice Quinn

Sub_Ministers Office

READ RECEIPT: Grainne Guinan

Fiona Lafferty

Maurice Quinn

John Coughlan

Carol O'Dwyer

Cliona O'Sullivan

Sharon Duggan

Melanie Connolly

Ronan Tierney

Teresa Hynes

Action log

ACTION	USER	DATE	DESCRIPTION
Create	Grainne Guinan	04/12/2019 13:27	Submission Defence 00561- 19 to Minister created.
Submit for review	Grainne Guinan	04/12/2019 13:33	Submission sent for review to Fiona Lafferty.
Submit for review	Fiona Lafferty	04/12/2019 14:32	Submission sent for review to Des Dowling.
Take ownership	Fiona Lafferty	05/12/2019 09:31	Submission ownership taken by Fiona Lafferty.
Attachment removed	Fiona Lafferty	06/12/2019 10:37	Attachment SG Note_Casa_final.docx removed.
Attachment removed	Fiona Lafferty	06/12/2019 11:31	Attachment ASG Dowling Backgorund Note_Casa_final.docx removed.
Attachment removed	Fiona Lafferty	06/12/2019 15:42	Attachment Memo to Government Maritime Patrol Aircraft Approval_6_Dec (1).docx removed.
Submit for review	Fiona Lafferty	06/12/2019 16:35	Submission sent for review to Secretary General's Office.
Revert	Maurice Quinn	06/12/2019 16:40	Submission reverted to Grainne Guinan by Maurice Quinn.
Submit for review	Grainne Guinan	06/12/2019 16:54	Submission sent for review to Fiona Lafferty.
Attachment removed	Fiona Lafferty	06/12/2019 16:57	Attachment Note to the Minister approval to award contract Maritime Patrol Aircraft Project (3).docx removed.
Submit for review	Fiona Lafferty	06/12/2019 16:59	Submission sent for review to Secretary General's Office.

Submit for review	Maurice Quinn	06/12/2019 17:13	Submission sent for review to Minister on behalf of Secretary General's Office.
Take ownership	Maurice Quinn	06/12/2019 17:14	Submission ownership taken by Maurice Quinn.
Submit for review	Maurice Quinn	09/12/2019 10:52	Submission sent for review to Minister.
Complete	Cliona O'Sullivan	10/12/2019 16:57	Submission completed by Cliona O'Sullivan.

Secretary General

Please see HLPPG (incorporeal) approved submission in relation to placement of contracts for the Casa replacement aircraft.

The submission details the process to date leading to the recommended approach in relation to Options and associated cost.

The selected aircraft, Airbus C295, including chosen Options, provides a step change in capability. The accompanying Annex gives a useful comparative presentation of the differences between our existing 235 aircraft and the new model.

It goes without saying that this is a project of significant scale and complexity which will have to be closely managed as part of the implementation phase of this project and to meet the new Public Spending Code, Planning and Managing Public Investment requirements. A project team will have to be maintained to manage and monitor the project to ensure that it is executed satisfactorily, within budget, to standard and on time and to report through the White Paper project governance structures.

As you are aware, there is from our viewpoint, a long enough wait for the first delivery (early 2023) albeit it is the intention to work via French contacts in due course to see what improvement, if any, can be achieved on the production schedule.

With the total cost, including VAT, of some €221.5m, it will, for its period of acquisition, account for the largest single element of our equipment plan. DPER have approved relevant virement to facilitate payment from A8, with the acquisition being made under delegated arrangements. Public Spending Code requirements are being met. The proposal is to make an initial payment in the region of €50m but this will be fine-tuned over the next week having regard to available funding in the Vote in 2019. A schedule of payments would see the remainder of the cost paid in roughly equal parts over the period to delivery based on satisfactory progress. However, we are planning to put in place a facility which would potentially allow some flexibility beyond the scheduled payments - consistent with progress and available funding. We took a similar approach under the ships programme. Appropriate scheduling of payments will allow best management of funds overall having regard to progression of other equipment projects.

As you know, we have debated internally the inclusion of the defensive aids suite (c. €15m excluding VAT). The recommendation, in approving the HLPPG submission, is that as a contribution to contingent capability and future proofing of the aircraft, the defensive aids suite is a worthwhile addition. Taken with the other attributes of the aircraft, it comprehensively addresses the WP2015 commitment for a larger more capable aircraft taking account of current and possible future (including contingent defence) taskings. We are advised that the Spanish and Portuguese militaries operate C295s with the DAS suites. In approving the package of measures, I have drawn the military's attention to the fact that this is not giving policy approval in principle to the usage of the aircraft in the operational contexts described in the submission. The stipulation made was explicit - that HLPPG approval, and the Ministerial approval being sought, would be on the basis that there is no implication or policy approval, implied or otherwise, to utilisation of the aircraft in situations in which DAS would be a pre-requisite. In any event, for practical purposes these will not arise in an operational sense until after the aircraft is delivered and in operation.

Submitted for your approval please to seek Ministerial agreement to the conclusion of the Contract as proposed in the submission below.

D Dowling

Assistant Secretary

4 December 2019

Replacement of Casa Maritime Patrol Aircraft

Draft speaking points

The important work of the maritime patrol aircraft is not seen and is not widely known. They patrol the airspace over Irish territorial waters daily, year-round. While their main role is in fisheries protection they also perform many other roles such as air ambulance, cargo transport and search and rescue top-cover.

The existing 2 CASA 235 aircraft are 25 years old and are reaching the end of their useful life.

The White Paper on Defence published in 2015 confirms that the two Maritime Patrol Aircraft should be replaced. The CASA replacement is included in the Government's Capital Investment Plan 2016-2021.

While the new aircraft are costly assets, as a project this is a straightforward direct replacement of existing aircraft arising from the decision in the White Paper in 2015. The new aircraft will also have a 25 year lifespan.

It will be funded from existing Defence resources over the life-time of the project out to 2023. Ideally, we would get delivery earlier than 2023. A down-payment will be made in 2029 and this gets us onto the manufacturer's production schedule.

The contract includes the two Aircraft and the two mission systems together with spare parts, ground support equipment and training. It also includes the extra equipment needed for the various roles the aircraft will perform. It is not unusual that the cost of the basic airframe accounts for about 65% of the cost with the fit-out and support accounting for the remainder.

The procurement project started in 2017 leading up to a keenly fought tender process. Robust arrangements for governance of the project and for commercial management of the contract are in place in my Department along the model used for the very successful ship replacement programme.

Over many years, the DOD has had the resources to only deliver one really big project at a time — Heli's, APC's, ships and now maritime patrol aircraft. All of these projects stretch across several years and take careful management.

