

## Project Data Summary Sheet<sup>228</sup>

Project Number	<b>AIR 87 Phase 2</b>
Project Name	<b>ARMED RECONNAISSANCE HELICOPTER</b>
First Year Reported in the MPR	2007-08
Capability Type	New
Acquisition Type	Australianised MOTS
Service	Australian Army
Government 1st Pass Approval	N/A
Government 2nd Pass Approval	Mar 99
Total Approved Budget (Current)	<b>\$2,032.7m</b>
2014–15 Budget	<b>\$1.2m</b>
Project Stage	Acceptance Into Service
Complexity	ACAT II



### Section 1 – Project Summary

#### 1.1 Project Description

This project was approved to provide a reconnaissance and fire support capability for the Australian Defence Force (ADF). The project has **delivered** 22 aircraft including an instrumented aircraft (permanently fitted with in-flight test instrumentation), a Full Flight and Mission Simulator, two Cockpit Procedures Trainers, Groundcrew Training Devices, Electronic Warfare Mission Support System, Ground Mission Equipment, with supporting stores, facilities and ammunition.

#### 1.2 Current Status

##### Cost Performance

###### In-year

As at **30 June 2015**, Final Plan estimate of **\$1.2m** was achieved. **Variance from PAES is attributable to discounts on upgrades to Ground Mission Equipment received as Liquidated Damages.**

###### Project Financial Assurance Statement

As at 30 June 2015, project AIR 87 Phase 2 has reviewed the approved scope and budget for those elements required to be delivered by the project. Having reviewed the current financial and contractual obligations of the project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope.

###### Contingency Statement

**The project incorrectly advised no application of contingency in Financial Year 2013-14 when it had applied contingency in support of the Deployable Aircraft Maintenance Rig capability.** The project has **also** applied contingency in financial year **2014-15 for discounts on upgrades to Ground Mission**

228 Notice to reader

Future dates and Sections: 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability Delivery Performance), 5.1 (Major Project Risks) and 5.2 (Major Project Issues) are out of scope for the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Review Report by the Auditor-General* in **Part 3** of this report.

### Equipment received as Liquidated Damages.

#### Schedule Performance

The Final Materiel Release (FMR) Approval Certificate was signed by all stakeholders on 19 March 2014, with Army caveats, **(20 months behind schedule)**.

Project Closure activities are in progress, with **Final Operational Capability (FOC) planned to be achieved by January 2016 (79 months behind schedule)**.

#### Materiel Capability Delivery Performance

As at 30 June **2015**, all 22 Armed Reconnaissance Helicopter (ARH) have been accepted by the Commonwealth in the Initial Operational Test and Evaluation Readiness configuration; six are being used for training, one of which is also being used to support test activities; and 16 are being used **to raise, train and sustain** the operational squadrons in Darwin **in order to maintain directed levels of capability and to continue capability growth to achieve FOC**. All three simulators have been accepted and are being used for aircrew training in Oakey and Darwin.

The rebaselined schedule included all planned engineering activities required to deliver a fully compliant ARH System. Full compliance or Service Release of all Engineering Change Proposals was achieved in May 2013.

Operational **readiness** of the delivered ARH capability is being progressed by Army. The Operational Capability (OC) 2 milestone, a deployable squadron, was granted by the Chief of Army on 11 July 2013. **The OC3 milestone, a deployable squadron plus troop by land into a non-permissive environment, was granted by the Chief of Army on 2 December 2014**. The delivery of the remaining items are being managed **by the Tiger sustainment organisation and is expected to have minimal impact on the overall ARH capability, noting that the deficiency in the Electronic Warfare System will be corrected in aircraft available to the Capability Manager required to meet FOC**.

#### Note

The capability assessments and forecasts by the project are not subject to the ANAO's assurance review.

### 1.3 Project Context

#### Background

The project received Government approval in March 1999 to replace the Army's aerial reconnaissance and fire support capability, which was based on the 1960s technology Bell Kiowa and Iroquois helicopters. The project's acquisition strategy specified substantial Australian Industry Involvement, and in December 2001 the Commonwealth entered into separate contracts with Australian Aerospace for the Acquisition and Through Life Support (TLS) programs.

The first four aircraft were manufactured and assembled in France and the remaining 18 aircraft were manufactured in France and assembled in Brisbane. One ARH is fitted with flight test instruments to assist the test and evaluation of ARH capability upgrades.

The training system relies heavily on simulation devices using the Full Flight and Mission Simulator and Cockpit Procedures Trainers which were built in France, then shipped to Australia. The Full Flight and Mission Simulator and one Cockpit Procedures Trainer are installed at Oakey (Queensland); the second Cockpit Procedures Trainer is installed at Darwin (Northern Territory).

The project experienced delays in achieving the Initial Operational Capability (IOC) critical contractual milestone, which was originally contracted for June 2007, resulting in the Commonwealth exercising its contractual right to stop all payments on the Acquisition Contract while maintaining payments on the TLS Contract.

Delays resulted in insufficient numbers of aircraft, training devices and logistics support in service to enable the required training outcomes.

**Airbus Group Australia Pacific (formerly Australian Aerospace)** served a notice of dispute in October 2007 and the parties entered into a formal Dispute Resolution process over issues affecting both the Acquisition and TLS contracts. The dispute resolution process resulted in both parties signing a Deed of Agreement in April 2008 which established a revised Acquisition Contract Price and Delivery Schedule, a revised TLS Contract pricing structure that transitioned it to a Performance Based Contract, and established networks for work done by third-party support subcontractors. The re-plan included integration of a program necessary to retrofit all ARH to the final configuration where all mission systems are certified for employment by Army crews (known as the retrofit program). Partial payments to **Airbus Group Australia Pacific** on the

ARH Acquisition Contract were recommenced in April 2008, with full payment due on signing of the Contract Change Proposals (CCP).

Changes to the Acquisition Contract arising from the signing of the Deed of Agreement were agreed between the parties in February 2009, with full payment recommencing from this date.

The commensurate major documentation amendment through a CCP was approved in May 2009, and the Contract Amendment was issued in June 2009.

#### Uniqueness

The Australian Tiger ARH design is based on the Eurocopter French and German Armies Tiger helicopters. The ARH design varies from the French and German designs through changes made to the following systems:

- Secure radio communication systems;
- Digital Map System;
- Integration of the Hellfire Missile weapon system;
- 70mm rocket modifications;
- Storage Bay and Digital Video Recorder;
- Roof Mounted Sight multi-target tracking system; and
- Helmet Mounted Sight and Displays in both cockpits.

The ADF's Airworthiness certification of the ARH Tiger aircraft relies on the French Airworthiness certification process undertaken by the French acquisition agency (Direction Générale de l'Armement). The ADF's Director General Technical Airworthiness recognises the French acquisition agency as a competent certification agency, and subsequently accepts the French acquisition agency certification of common Tiger systems used in the Australian ARH Tiger. In doing so, the French acquisition agency certification of the French aircraft became an integral part of the ADF's ARH certification plan. Consequently, delays in the French program flowed through to the ADF's ARH program and delivery of operational capability to the Army. This caused schedule slip in the aircraft and system certification, simulator development and aircrew training. The delays in the program resulted in the contractor failing to achieve the original contracted IOC critical milestone.

#### Major Risks and Issues

All major risks identified in the **2013-14** Major Projects Report have been retired from an Acquisition perspective and AIR 87 Phase 2 project closure activities are in progress.

The Final Materiel Release (FMR) Approval Certificate, signed by all stakeholders on 19 March 2014, was caveated by the Capability Manager. The caveats to FMR relate to Rate of Effort generation, suitability of the Groundcrew Training Device, Electronic Warfare Self Protection performance, and high cost of ownership. These issues, other than the Groundcrew Training Device suitability which was delivered to the contracted requirements, **are being managed by the Tiger sustainment organisation** and stem from the less than expected maturity level of Airbus Helicopter's Tiger program at the time of Acquisition. Their effect, however, is being realised as poor performance in the Tiger Sustainment System. **The Tiger sustainment organisation** is actively working with Airbus Group Australia Pacific, and their parent, Airbus Helicopters, to address these issues through the Tiger Sustainment System, noting that the Rate of Effort and cost of ownership issues in particular are significant, complex and are unlikely to be resolved in the short term. **The Capability Manager has also reassessed the Rate of Effort required to raise, train and sustain the ARH Capability and has reduced the annual planning targets from 7,147 hours to 6,227 hours. Industry has agreed to rectify the Electronic Warfare System performance issue at no cost to the Commonwealth with all modifications planned to be completed by end of March 2016. A Viability Review Deed of Agreement was signed between Airbus Group Australia Pacific and the Commonwealth in December 2014 that will see the implementation of a more rigorous performance based contract and up to a 50 per cent reduction in the cost per flying hour by Financial Year 2016-17 when the mature Rate of Effort that is planned to be flown is achieved.**

#### Other Current Sub-Projects

**AIR 9000 Phase 7 Helicopter Aircrew Training System (HATS): HATS will be an important link in the training continuum for inductees to the ARH training system.**

## Section 2 – Financial Performance

### 2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	<b>Project Budget</b>		
Mar 99	Original Approved	1,584.0	
Oct 02	Real Variation – Transfer	(18.2)	1
Dec 03	Real Variation – Transfer	(59.1)	2
Aug 04	Real Variation – Budgetary Adjustments	(2.2)	3
Sep 04	Real Variation – Transfer	(3.0)	4
Jun 05	Real Variation – Transfer	(4.0)	5
Aug 05	Real Variation – Budgetary Adjustments	(4.5)	6
		(91.0)	
Jul 10	Price Indexation	418.2	7
Jun 15	Exchange Variation	121.5	
Jun 15	<b>Total Budget</b>	<b>2,032.7</b>	
	<b>Project Expenditure</b>		
Prior to Jul 14	Contract Expenditure – <b>Airbus Group Australia Pacific</b>	<b>(1,710.3)</b>	8
	Other Contract Payments / Internal Expenses	<b>(154.0)</b>	9
		<b>(1,864.3)</b>	
	Other Contract Payments / Internal Expenses	<b>(1.2)</b>	10
		<b>(1.2)</b>	
Jun 15	<b>Total Expenditure</b>	<b>(1,865.5)</b>	
Jun 15	<b>Remaining Budget</b>	<b>167.2</b>	
<b>Notes</b>			
1	Transfer to Defence Support Group (DSG) Oakey Redevelopment Project to develop ARH specific infrastructure.		
2	Transfer to DSG 1 Aviation Relocation Project (Darwin) to develop ARH specific infrastructure.		
3	Administrative Savings harvest.		
4	Transfer to Defence Science and Technology Organisation to fund studies in support of ARH.		
5	Transfer to DSG to fund AIR 87 facilities constructed as part of the Darwin 1 Aviation Relocation Project.		
6	Skilling Australia's Defence Industry harvest.		
7	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$414.9m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$3.3m having been applied to the remaining life of the project.		
8	Includes first five years support costs of the TLS Contract (two years Pre-Implementation and the first three Contract Years), Preliminary Engineering Proposals and Indefinite Quantity tasks performed in Acquisition.		
9	Other expenditure comprises: operating expenditure, External Service Providers, Foreign Military Sales, research and development costs and other capital expenditure not attributable to the		

	aforementioned contract and minor contract expenditure.
<b>10</b>	<b>Other expenditure includes discounts on upgrades to Ground Mission Equipment received as Liquidated Damages and</b> to Nova Aerospace for engineering support.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
<b>3.8</b>	<b>0.2</b>	<b>1.2</b>	<b>PBS to PAES: Return of \$2.5m to Contingency and the re-phasing of the Deployable Aircraft Maintenance Rig milestone payments in accordance with the signed Contract.</b> <b>PAES to Final Plan: Variance is attributable to discounts on upgrades to Ground Mission Equipment received as Liquidated Damages.</b>
Variance \$m	<b>(3.6)</b>	<b>1.0</b>	Total Variance (\$m): <b>(2.6)</b>
Variance %	<b>(94.7)</b>	<b>500.0</b>	Total Variance (%): <b>(68.4)</b>

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
			FMS	<b>N/A</b>
			Overseas Industry	
			Local Industry	
			Brought Forward	
			Cost Savings	
			FOREX Variation	
			Commonwealth Delays	
			Additional Government Approvals	
<b>1.2</b>	<b>1.2</b>	<b>0.0</b>	<b>Total Variance</b>	
		<b>0.0</b>	<b>% Variance</b>	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 15 \$m			
<b>Airbus Group Australia Pacific</b>	Dec 01	1,139.9	<b>1,710.3</b>	Variable	SMART 2000	1, 2
<b>Notes</b>						
1	Increase in price is due to updates for Price and Exchange over the life of the project as well as the approval of Contract Change Proposals. A Deed of Closure to the <b>Airbus Group Australia Pacific</b> Prime Contract was signed on 28 May 2013.					
2	Contract value as at 30 June 2015 is based on actual expenditure to 30 June 2015 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 15				
<b>Airbus Group Australia Pacific</b>	22	22	Tiger Armed Reconnaissance Helicopter			
<b>Major equipment received and quantities to 30 Jun 15</b>						
22 aircraft have been accepted by the Commonwealth. Engineering and maintenance arrangements established.						

## Section 3 – Schedule Performance

### 3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Requirements	ARH System	Mar 02	N/A	Feb 03	11	1
	Aircrew Training Devices	Jun 02	N/A	Feb 03	8	2
System Design	ARH System	Jun 02	N/A	Feb 03	8	1
	ARH System - Delta System Design Review	Mar 03	N/A	Apr 03	1	1
	Aircrew Training Devices	Apr 03	N/A	Jul 03	3	2
Preliminary Design	ARH Tiger	Oct 02	N/A	May 03	7	3
	Aircrew Training Devices	Mar 03	N/A	Oct 04	19	2
Critical Design	ARH Tiger	Mar 03	N/A	Jul 04	16	4
	Aircrew Training Devices	Sep 03	N/A	Jun 05	21	2
<b>Notes</b>						
1	Reliance on the certification of the French Tiger variant was critical to the Australian design review and acceptance program. The project's ability to leverage from the French program was adversely impacted because the French program had not achieved design approval outcomes in the timeframe expected.					
2	The Full Flight and Mission Simulator required customisation to both the visual system and the motion systems following contract signature in order to account for capability deficiencies associated with the proposed simulator design. A major cause of the delay in delivering training devices can be attributed to the efficacy with which the software provided from the aircraft manufacturer's test program was being managed to produce a high fidelity simulator.					
3	As the ARH is a variant of the French and German Tiger helicopters, the ADF Technical Airworthiness Authority planned to utilise the existing certification work undertaken by the French acquisition agency (Direction Générale de l'Armement). Delays experienced directly impacted on design and development and the Australian Military Type certification achievement.					
4	The maturity of the ARH design has required ongoing engineering changes to the approved ARH product baseline presented to the Airworthiness Board at the In Service Date. As a result, subsequent flight testing was required to confirm contract compliance and operational acceptance of incorporated design changes to enable removal of Australian Military Type Certificate and Service Release limitations.					

### 3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Integration	Full Flight and Mission Simulator Contractor In-plant	Jul 04	N/A	Oct 07	39	1
	Cockpit Procedures Trainer Oakey Contractor In-plant and On-Site	Jul 04	N/A	Jun 08	47	1
	Cockpit Procedures Trainer Darwin Contractor In-plant and Army In-plant	Jul 04	N/A	Dec 08	53	1
Acceptance	ARH					
	Type Acceptance Review Special Flight Permit	Oct 04	N/A	Jun 05	8	1
	Australian Military Type Certificate	Jun 05	N/A	Oct 05	4	1
	Aircrew Training Devices - Final Acceptance Test and Evaluation					
	Full Flight and Mission Simulator (Transition Training capability)	Feb 05	N/A	Nov 07	33	1

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	Full Flight and Mission Simulator (Full Training capability)	Feb 05	N/A	Nov 09	57	1
	Cockpit Procedures Trainer Oakey	Feb 05	N/A	Nov 09	57	1
	Cockpit Procedures Trainer Darwin	Feb 05	N/A	Feb 10	60	1
	Acceptance					
	ARH #11	Jul 06	N/A	Apr 08	21	1
	ARH #22	Apr 08	N/A	Nov 11	43	1, 2

## Notes

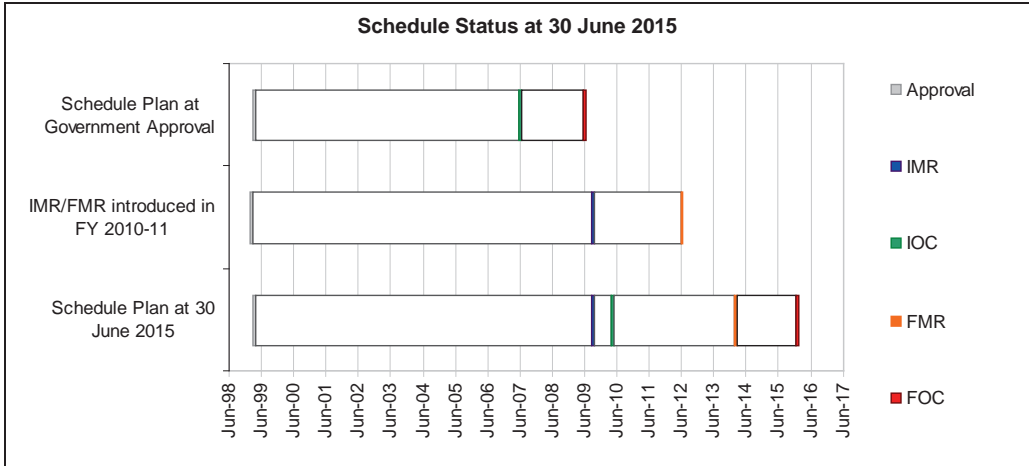
1	The difference between the Original Planned and Achieved dates is due to contractor delays in delivering conforming supplies.
2	The acceptance of the 22nd production ARH was contracted for July 2011. The milestone was achieved on 25 November 2011. Note: Production aircraft (#22) is the 22nd aircraft accepted by the Commonwealth which is not to be confused with the milestone for the 22nd aircraft accepted in the Initial Operational Test and Evaluation configuration under the Acquisition Contract. The 22nd aircraft accepted in the Initial Operational Test and Evaluation configuration was achieved on 14 December 2012 following the delivery of A38-002 from retrofit.

## 3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved /Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	N/A	Sep 09	N/A	
Initial Operational Capability (IOC)	Jun 07	Apr 10	34	1
Final Materiel Release (FMR)	Jul 12	Mar 14	20	2
Final Operational Capability (FOC)	Jun 09	Jan 16	79	3

## Notes

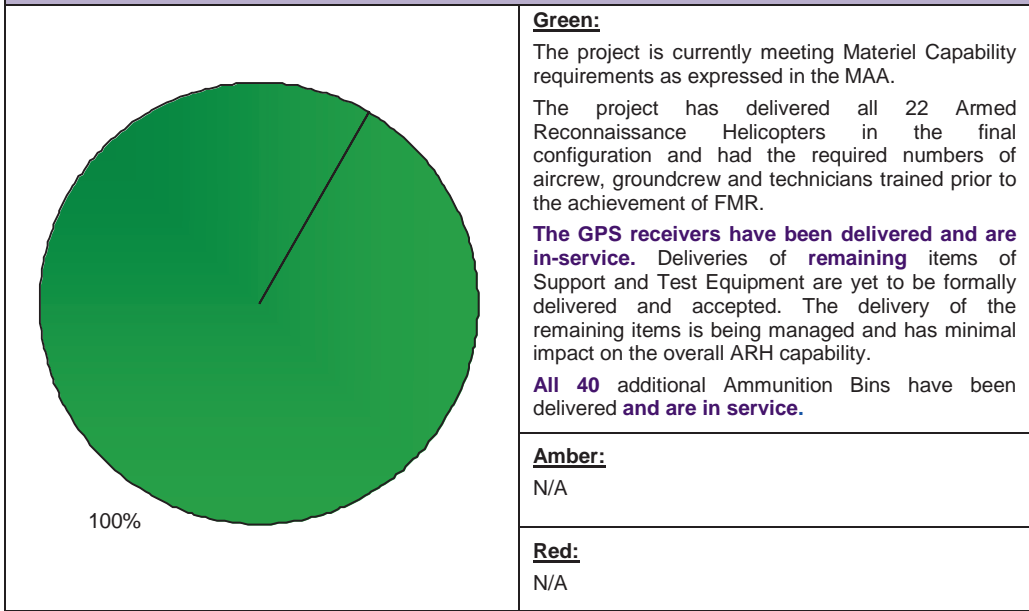
1	Operational Capability 1 (OC1) (IOC) was granted by Chief of Army on 8 April 2010 with the variance primarily due to contractual delays.
2	No FMR originally identified. Current FMR is the date agreed in Amendment No. 2 to the project AIR 87 Phase 2 Materiel Acquisition Agreement. Delays in the achievement of the Final Acceptance Milestone under the contract with <b>Airbus Group Australia Pacific, delays</b> in the formal transition of capability components to the respective in-service management agencies and the time taken to get all stakeholders to sign off on the FMR Approval Certificate contributed to the delay in achieving FMR. The FMR Approval Certificate was signed by all stakeholders on 19 March 2014, with Army caveats <b>that are being managed by the Tiger sustainment organisation.</b>
3	Previously, as a result of the reduction in flying Rate of Effort experienced by the ARH fleet, as well as a requirement to conduct amphibious operations from LHD ships, Army amended its Acceptance into Operational Service Plan, to reflect the associated training delays. Consequently, Chief of Army advised that the previously anticipated achievement date of December 2012 would not be met, and that a date of January 2016 was planned. Chief of Army has since advised that FOC has not been delayed by a new requirement to conduct amphibious operations but that the delay was solely due to the reduced Rate of Effort of the aircraft. <b>The FOC milestone, full regiment (16 aircraft) by land into a medium threat, non-permissive environment, is progressing to plan with Chief of Army granting the OC2 milestone, a deployable squadron (eight aircraft), on 11 July 2013 and the OC3 milestone, a deployable squadron plus troop (11 aircraft) by land into a non-permissive environment, on 2 December 2014. FOC remains forecast to be achieved by January 2016.</b>



**Section 4 – Materiel Capability Delivery Performance**

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance



**Note**  
This Pie Chart does not necessarily represent capability achieved. The capability assessments and forecasts by the project are not subject to the ANAO’s assurance review.

4.2 Constitution of Initial Materiel Release and Final Materiel Release

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> <li>• <b>Three ARH in the Initial Operational Test and Evaluation Readiness configuration;</b></li> <li>• <b>Aircraft Availability and Reliability parameters met;</b></li> </ul>	<b>Achieved</b>



	<ul style="list-style-type: none"> <li>Initial Integrated Logistic Support elements in place to support three ARH flying an annual Rate of Effort of 325 airframe hours/ARH; and</li> <li>Trained aircrew, groundcrew, and technicians.</li> </ul>	
Final Materiel Release (FMR)	<ul style="list-style-type: none"> <li>Remaining 19 ARH (22 in total) in the Initial Operational Test and Evaluation Readiness configuration delivered;</li> <li>Aircraft Availability and Reliability parameters met;</li> <li>All Initial Integrated Logistic Support elements in place to support remaining 19 ARH (22 in total) flying an average annual Rate of Effort of 325 airframe hours/ARH.</li> <li>Trained aircrew, groundcrew, and technicians; and</li> <li>Additional requirements as endorsed by Capability Development Group as being in scope of the project delivered.</li> </ul> <p>FMR was agreed achieved provided the following Army caveats are addressed:</p> <ul style="list-style-type: none"> <li>Rate of Effort Generation;</li> <li>Groundcrew Training Devices;</li> <li>Electronic Warfare System; and</li> <li>Cost of Ownership.</li> </ul>	Achieved with caveats

**Section 5 – Major Risks and Issues**

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
<p>There is a chance that the FOC milestone will be affected by the inability to generate the required Rate of Effort (ROE) leading to an impact on cost and schedule.</p>	<p>This risk has been transferred to sustainment <b>and is being managed by the Tiger sustainment organisation.</b></p> <p>An ARH Repairable Item Support and Cost Improvement Plan has been established by Airbus Group Australia Pacific to address shortfalls in the availability of critical Repairable Items and deficiencies in its Maintenance and Supply Support Networks. Additional Repairable Items have also been provided to the Commonwealth at no cost. Availability of Repairable Items to support maintenance activities has improved.</p> <p>The above mitigation activities have been initiated by the Tiger sustainment organisation to enable improved ROE. Following the declaration by Army that the ROE envisaged at project approval would never be achieved, the Capability Manager has also reassessed the ROE required to raise, train and sustain the ARH Capability and has reduced the annual planning targets from a maximum 7,147 hours to 6,227 hours. This risk is now considered to be a low risk to project AIR 87 Phase 2.</p>

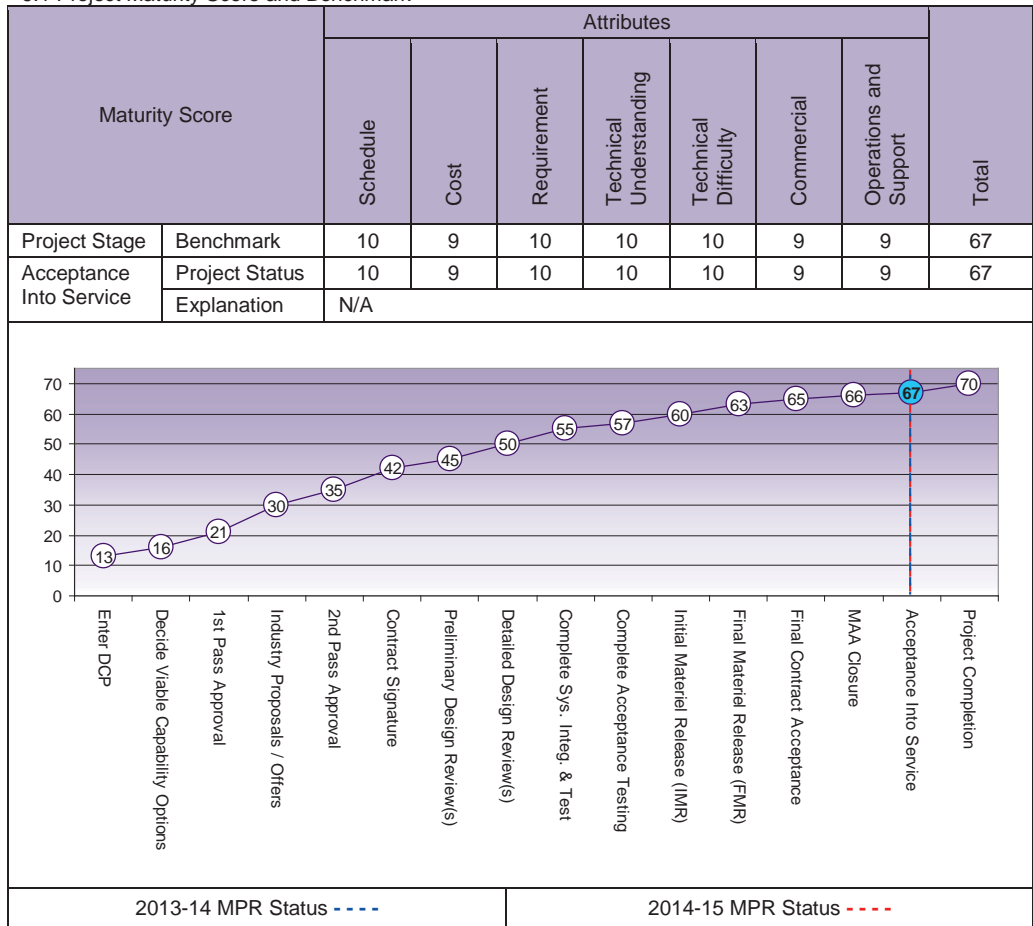
Emergent Risks (risk not previously identified but has emerged during 2014-15)	
Description	Remedial Action
N/A	N/A

## 5.2 Major Project Issues

Description	Remedial Action
The Groundcrew Training Devices, delivered to the Acquisition Contract specifications, no longer meet Army's necessary training outcomes.	Investigation by Defence on appropriate options to address current system deficiencies prior to Project LAND 9000 ARH Capability Assurance Program. This issue is being managed by Capability Development Group and the Capability Manager.
The Electronic Warfare System fitted to the ARH is not performing to specification during specific aircraft manoeuvres.	Latent Defect claim submitted and is currently under technical assessment by industry. <b>Industry has agreed to rectify the Electronic Warfare System performance issue at no cost to the Commonwealth with all modifications planned to be completed by end March 2016. Acceptance testing by Defence is planned for completion by October 2015, with aircraft modifications planned to be completed by end-2015, prior to FOC declaration.</b> This issue is being managed by the <b>Tiger sustainment organisation.</b>
In Financial Year 2013-14 the estimated cost of sustaining the ARH Capability in exchange of flying hours represents very poor return on investment for Army. Army requires adjustment to the sustainment contract to ensure value for money.	A contracted Strategic Review of the Through Life Support (TLS) Contract is being undertaken between DMO and industry to review the contract price basis and once completed a contract amendment will follow. This issue is being managed by the <b>Tiger sustainment organisation with the first Strategic Review under the TLS Contract being conducted in late 2014. A Viability Review Deed of Agreement was signed between Airbus Group Australia Pacific and the Commonwealth in December 2014 that will see the implementation of a more rigorous performance based contract and up to a 50 per cent reduction in the cost per flying hour in Financial Year 2016-17 when the mature Rate of Effort that is planned to be flown is achieved.</b>

### Section 6 – Project Maturity

#### 6.1 Project Maturity Score and Benchmark



### Section 7 – Lessons Learned

#### 7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons
Aircraft still undergoing development by their parent Defence force or Original Equipment Manufacturer should not be classed as off-the-shelf.	Off-The-Shelf Equipment
Delays in the French program flowed through to the ADF's ARH program and delivery of operational capability to the Army. This has caused schedule slip in the aircraft and system certification, simulator development and aircrew training. The delays in the program have resulted in the contractor failing to achieve the IOC critical milestone.	Off-The-Shelf Equipment
Resolve or escalate minor disputes as they arise to prevent escalation to major contract dispute.	Contract Management
Use integrated teams with strong processes and empowered staff facilitated by appropriate contractual arrangements.	Resourcing Contract Management

The AIR 87 TLS Contract needs constant management by experienced contract management staff with ready access to legal support. The Commonwealth must challenge the contractor on performance and must not enter into contract change discussions with the contractor where the Commonwealth will not receive value for money for the contracted services.	Contract Management
In respect of the out-sourced Systems Program Office core functions, the notion that the Commonwealth can optimise resource availability by outsourcing activities needs to be challenged. This value for money hypothesis is flawed.	Resourcing Contract Management
Better arrangements should be put in place to ensure that appropriate consultations occur before the Commonwealth enters into similar contracts with the same contractor. AIR 9000 did not consult AIR 87 to any significant extent before signing the Multi-Role Helicopter Sustainment Contract and over time this contract has proven to be similarly flawed.	Contract Management
Defence needs to re-evaluate its policy in relation to the use of 'cost-plus' contracts. A cost-plus contract for the initial years of the AIR 87 TLS Contract would have ensured effective performance parameters could be set for a more robust mature-state stage of the contract.	Contract Management
The Commonwealth must seek adequate evidence from the Contractor that its sustainment arrangements with its suppliers/subcontractors are in place and effective and that any provisions contained in the head contract have been adequately flowed down into any subcontracts. Demonstration should be linked to sustainment contract signature or as an entry obligation to the achievement of In-Service Date.	Contract Management

**Section 8 – Project Line Management**

8.1 Project Line Management in 2014-15

Position	Name
General Manager	Ms Shireane McKinnie
Division Head	RADM Tony Dalton
Branch Head	BRIG Andrew Mathewson
Project Director	COL Anthony McWatters (Nov 13–current)
Project Manager	Mr Cliff Meyer