

## Project Data Summary Sheet<sup>230</sup>

Project Number	<b>AIR 8000 Phase 2</b>
Project Name	<b>BATTLEFIELD AIRLIFT – CARIBOU REPLACEMENT</b>
First Year Reported in the MPR	2013-14
Capability Type	Replacement
Acquisition Type	MOTS
Service	Royal Australian Air Force
Government 1st Pass Approval	Apr 12
Government 2nd Pass Approval	Apr 12
Total Approved Budget (Current)	<b>\$1,369.2m</b>
2014-15 Budget	<b>\$271.5m</b>
Project Stage	<b>Integration and Test</b>
Complexity	ACAT II



### Section 1 – Project Summary

#### 1.1 Project Description

This project was approved to replace the retired Caribou capability and provide the Australian Defence Force (ADF) with an enhanced intra-theatre and regional airlift capability through acquisition of a fleet of ten new Light Tactical Fixed Wing aircraft. The Government approved solution is acquisition through United States Air Force (USAF) Foreign Military Sales (FMS) of the Alenia Aermacchi built C-27J aircraft modified by L-3 Product Integration Division (PID) to the United States (US) Department of Defense Joint Cargo Aircraft (JCA) C-27J configuration, known as Spartan. The JCA C-27J is a Military Off The Shelf (MOTS) acquisition offering enhanced self protection and interoperability that meets Australian requirements. The aircraft will be operated by 35 Squadron with its Interim Main Operating Base (MOB) at Royal Australian Air Force (RAAF) Base Richmond prior to relocating to the final MOB at RAAF Base Amberley in 2017. Project acquisition includes the ten aircraft, training system, support system materiel elements and three years of initial FMS training and support services **from aircraft In-Service Date (ISD), through Initial Operational Capability (IOC) to Final Operational Capability (FOC).**

#### 1.2 Current Status

##### Cost Performance

###### In-year

**Year end variance of (\$113.0m) is driven by an underspend in FMS forecasts primarily associated with delay in some spares and Ground Support Equipment (GSE) deliveries; slippage in production milestones for Aircraft five through 10; commencement of training and acquisition of mature training system devices.**

###### Project Financial Assurance Statement

As at 30 June 2015, project AIR 8000 Phase 2 has reviewed the approved scope and budget for those

230 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.

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, **whilst** there is sufficient budget remaining for the project to complete against the agreed scope, **yet to execute contracts carry cost risk**.

Contingency Statement

The project has applied minor contingency funding in the Financial Year **for the treatment of divestiture and contracting risk listed in Section 5.2**.

**Schedule Performance**

**Maintainer and aircrew training did not commence in 3rd quarter 2014 as originally planned. L-3 PID experienced delays in relocating the C-27J training school to its Texas facilities. Relocation of the school house from Robins Air Force Base (AFB) was an unexpected USAF requirement following confirmation of its decision to divest of C-27J. Training commenced end of 4th quarter 2014. Due to the delay in start of training, the 35 Squadron ISD was achieved end of 2nd quarter 2015 with the first aircraft delivered to RAAF Base Richmond on 25 June 2015. Following USAF C-27J divestiture, Alenia has recapitalised C-27J production by consolidating to one facility. Alenia advised significant delays to aircraft production, of 10-20 months, from Aircraft 5 onwards due to the closure of the Naples fuselage production plant and the consolidation of C-27J production at the Turin plant. Notwithstanding these delays, an IOC of December 2016 remains achievable, however this is with no remaining schedule contingency. FOC at end of year 2017 is now considered unachievable as a result of: Alenia aircraft production delays; reduced training throughput, due to the delayed start to US based training; and delays associated with establishing the mature training system at RAAF Amberley. Two factors contribute to the latter, FMS delays in establishing contracts for acquisition of necessary training devices and the risk that approval for construction of new 35 Squadron facilities at RAAF Amberley will be delayed. The current schedule indicates FOC is expected to be achieved by September 2018 (nine months behind schedule); however, this is considered high risk and is currently the subject of a detailed planning review within the project office in order to appropriately re-baseline the project schedule.**

**Materiel Capability Delivery Performance**

The C-27J is a relatively mature and well tested MOTS product. Notwithstanding, the project office is working through a number of capability baseline considerations identified post-establishment of the FMS Case. These baseline issues are associated with the configuration and certification status of the USAF JCA C-27J program, which were not finalised by the USAF at the time of divestiture. **Two aircraft have been accepted to date and a total of four are expected to be delivered by December 2015.**

**Note**

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

1.3 Project Context

**Background**

A requirement to replace Defence's battlefield airlift capability was first identified in the 1980s. Defence ensured the battlefield airlift capability was maintained via a sustainment commitment to the Caribou until their retirement in 2009 and lease of additional B300 King Air aircraft until suitable replacement platforms and appropriate Defence Capability Plan funding could be allocated.

Government authorised Defence to issue a Letter of Request seeking price and availability information from the USAF for the C-27J on 30 September 2011. The then Minister for Defence and the then Minister for Defence Materiel jointly announced on 19 October 2011 that Government had taken steps to acquire a replacement aircraft for the Caribou transport aircraft under Defence Capability Plan Project AIR 8000 Phase 2. The Ministers also announced that this project would involve consideration of other aircraft that could meet Australia's needs, including the Airbus Military C295 aircraft. Defence dispatched letters to Airbus Military and Raytheon Australia seeking price and availability data on 26 October 2011. On 10 May 2012 Government announced it had approved the purchase of ten C-27J battlefield airlift aircraft via FMS from the US Government to replace the Caribou aircraft, at a total program cost of up to A\$1.4 billion.

Alenia Aermacchi manufactures the C-27J Military Industrial Baseline Aircraft configuration which is then flown to the US for modification. L-3 PID, acting as the prime **contractor** to the US Government, is responsible for post-production integration of US improved mission systems. The design and integration work by L-3 PID enhances the effectiveness of the baseline aircraft, ensuring that the US JCA variant, as

offered through the FMS agreement, meets the battlefield airlift capability needed by Defence.

The USAF's potential to divest the C-27J was a known consideration that was factored into the business case presented to and approved by government at project combined First and Second Pass in April 2012. In early 2013 the USAF confirmed its intention to divest their C-27J fleet and accelerated its schedule for withdrawal. Subsequently, in mid 2013 USAF advised that it would not complete Military Type Certification (MTC) and that L-3 PID was, contrary to earlier advice, required by the Air National Guard to vacate the facilities occupied by the C-27J training school located at Robins Air Force Base, Georgia USA. This resulted in a late notice requirement for relocation of the L-3 training school to L-3 facilities in Arlington and Waco Texas, which resulted in **a three month delay to ISD (achieved June 2015)**.

Australian Military Type Certification (AMTC) will leverage heavily on the Federal Aviation Authority civilian certification and USAF work completed at the time of its decision to cease its MTC. Notwithstanding, the USAF decision not to complete MTC has materially increased the effort and schedule risk associated with achieving AMTC. The Commonwealth has secured significant Intellectual Property licensing rights to technical data from Alenia and L-3 PID to aid in AMTC and through-life support of the C-27J.

#### Uniqueness

The C-27J is a MOTS aircraft acquisition with the following changes to meet Australian requirements: paint scheme; upgraded Radar Warning Receiver; updates to address obsolescence; and upgrade to Mode 5 Identify Friend or Foe system.

The **novelty** of the project lies in the degree of Australian specific contracting effort being conducted by the USAF C-27J FMS Program Office to establish initial FMS training and support services as a result of USAF C-27J divestiture (generally, FMS leverages off a contemporary US military procurement). USAF contracting of US based initial training from L-3 PID utilising the ADF Airworthiness Management System **is also atypical**. Historically, the USAF airworthiness management system has been utilised for such training arrangements; however, due to USAF C-27J divestiture, this option is no longer possible and both the USAF and L-3 are unfamiliar with Australian requirements.

#### Major Risks and Issues

The Government endorsed acquisition strategy accepted a number of risks stemming from, or exacerbated by, the likelihood of USAF C-27J divestiture. Notwithstanding these risks, the benefits of acquiring the USAF JCA configured C-27J via FMS were assessed to outweigh these risks, even if realised, and their likelihood of occurring was taken into account when developing **initial** project strategies and plans. **However, the accelerated pace of USAF C-27J divestiture resulted in greater impact to the program than originally anticipated.**

**Current** major project residual risks **and issues** are as follows:

**Capability.** The project is addressing a number of capability requirements that remain incomplete against the USAF JCA configuration as a result of the USAF decisions to divest. These items are being addressed to meet FOC requirements. **However, there is a risk that not all elements will be able to be addressed within the current project budget or FOC schedule.**

**Training Devices.** **Delays in establishment of contracts between the US Government and L-3 for suitable devices has led to a risk that mature devices will not be available at RAAF Amberley in time for FOC leading to a requirement for increased training on-aircraft or an extension to US based training.**

**Facilities.** **Delay in approval for construction of the new 35 Squadron facilities at RAAF Amberley currently represents a risk to FOC estimated to be up to nine months. A delay in establishing mature training facilities at Amberley will result in a requirement for increased training on-aircraft or an extension to US based training.**

**USAF Divestiture of C-27J.** The C-27J capability delivery **has been** affected by US Government divestiture of their C-27J program leading to an impact on project schedule and cost. The USAF decision to divest of C-27J **effectively decreases the global fleet by approximately 150 aircraft to an estimated 80 aircraft, reducing opportunities for sustainment and training cost sharing. The requirement to move the training facility from Robins AFB to L-3 facilities at Waco and Arlington has had an impact on acquisition cost and schedule. The impact to cost will be understood once contracts are finalised between the US Government and L-3, until final cost impact is known there remains additional risk to the overall project budget.**

**Contracting.** The **US Government** contracting processes to establish initial training and support arrangements **took** longer than planned, **resulting in a delay to the start of training and to ISD.**

**Aircraft Production Delays.** **The risk of aircraft production delays was not anticipated to represent a**

significant risk to project IOC or FOC given the significant schedule contingency contained in the original production schedule. However, Alenia's decision in May 2015, based on commercial considerations, to close its C-27J fuselage production facility and consolidate all C-27J production at its Turin facility will delay delivery of Aircraft 5 through 10 by up to 20 months. A delay in production of this magnitude places IOC at high risk and results in a December 2017 FOC being unachievable.

**Other Current Sub-Projects**

N/A

**Section 2 – Financial Performance**

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	<b>Project Budget</b>		
Apr 12	Original Approved	1,156.5	
Jun 15	Exchange Variation	212.7	
Jun 15	<b>Total Budget</b>	<b>1,369.2</b>	
	<b>Project Expenditure</b>		
Prior to Jul 14	Contract Expenditure – US Government	(406.1)	1
	Contract Expenditure – Alenia Aermacchi	(13.6)	
	Other Contract Payments/Internal Expenses	(4.7)	2
		(424.4)	
FY to Jun 15	Contract Expenditure – US Government	(141.2)	
	<b>Contract Expenditure – Alenia Aermacchi</b>	<b>(10.1)</b>	
	Other Contract Payments/Internal Expenses	(7.2)	2
		(158.5)	
FY to Jun 15	<b>Total Expenditure</b>	<b>(582.9)</b>	
Jun 15	<b>Remaining Budget</b>	<b>786.3</b>	
<b>Notes</b>			
1	The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.		
2	Other expenditure comprises: operating expenditure, minor contract expenditure and other capital expenditure not attributed to the listed contracts.		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
313.8	255.4	271.5	The main driver of the variation between PBS and PAES estimates is an FMS case Termination Liability (deposit) payment brought forward into 2013-14 from 2014-15 (\$54.0m). The difference between the PAES and Final Plan estimates is the result of foreign exchange supplementation under the normal no win no loss arrangements for foreign exchange funding processed in May 2015.
Variance \$m	(58.4)	16.1	Total Variance (\$m): (42.3)
Variance %	(18.6)	6.3	Total Variance (%): (13.5)

### 2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(96.0)	FMS	Year end variance (\$113.0m) is driven by an underspend in FMS forecast (\$96.0m) primarily associated with delay in some spares and GSE deliveries; slippage in production milestones for Aircraft 5 through 10; commencement of training and acquisition of mature training system devices. Delays in acceptance of Aircraft 3 and 4 resulted in non-achievement of Intellectual Property and Technical data milestones (\$10.6m) and delays in GSE and Tools procurement (\$9.5m) also contributed. This has been partially offset by Foreign Exchange losses of \$3.2m incurred within the Financial Year.
		(10.6)	Overseas Industry	
			Local Industry	
			Brought Forward	
		(0.1)	Cost Savings	
		3.2	FOREX Variation	
		(9.5)	Commonwealth Delays	
			Additional Government Approvals	
271.5	158.5	(113.0)	<b>Total Variance</b>	
		(41.6)	<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			
US Government	May 12	882.4	1,068.1	Reimbursement	FMS	1,2
Alenia Aermacchi	May 12	62.0	69.8	Firm Price	Modified ASDEFCON (Complex)	1
<b>Notes</b>						
1	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).					
2	The scope of this contract is explained further below.					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 15				
US Government	10	10	10 C-27J Aircraft and associated training, training equipment, spares, ground support equipment and initial support.			
Alenia Aermacchi	N/A	N/A	C-27J Intellectual Property and Technical Data			
Major equipment received and quantities to 30 Jun 15						
<b>Two aircraft accepted plus a substantial amount of the IP rights and Technical data received.</b>						

## Section 3 – Schedule Performance

### 3.1 Design Review Progress

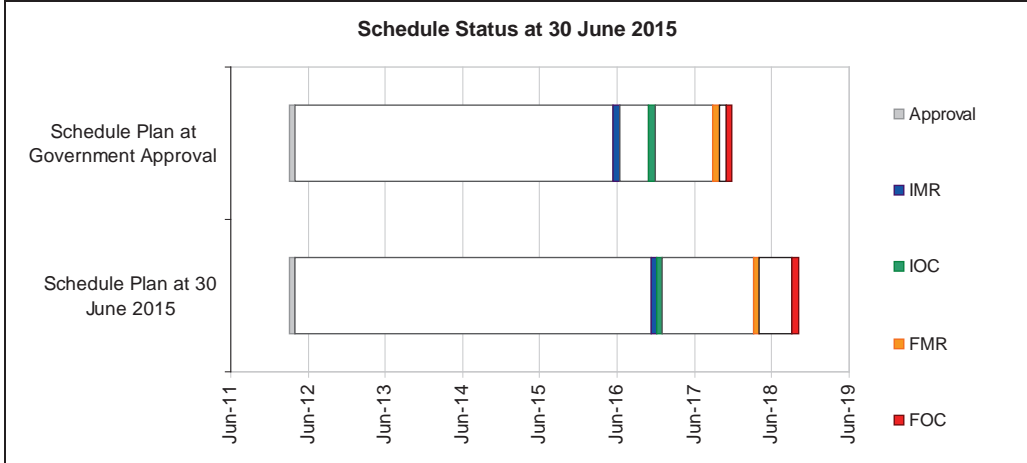
Review	Major System/Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Requirements	Operational Flight Trainer	TBA	TBA	TBA	TBA	1
	Fuselage Trainer	TBA	TBA	TBA	TBA	1
Preliminary Design	Operational Flight Trainer	TBA	TBA	TBA	TBA	1
	Fuselage Trainer	TBA	TBA	TBA	TBA	1
Critical Design	Operational Flight Trainer	TBA	TBA	TBA	TBA	1
	Fuselage Trainer	TBA	TBA	TBA	TBA	1
<b>Notes</b>						
1	<b>Contracts for the acquisition of the training devices have yet to be established.</b>					

### 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	Operational Flight Trainer	TBA	TBA	TBA	TBA	1	
	Fuselage Trainer	TBA	TBA	TBA	TBA	1	
Acceptance	C-27J Aircraft 1 (A34-001)	Jul 14	Jul 14	<b>Nov 14</b>	<b>4</b>	2	
	C-27J Aircraft 2 (A34-002)	Sep 14	Sep 14	<b>Dec 14</b>	<b>3</b>	2	
	C-27J Aircraft 3 (A34-003)	Nov 14	Nov 14	<b>Aug 15</b>	<b>9</b>	3	
	C-27J Aircraft 4 (A34-004)	Feb 15	Feb 15	<b>Sep 15</b>	<b>7</b>	3	
	C-27J Aircraft 5 (A34-005)	Aug 15	Aug 15	<b>Jun 16</b>	<b>10</b>	4	
	C-27J Aircraft 6 (A34-006)	Oct 15	Aug 15	<b>Nov 16</b>	<b>13</b>	4	
	C-27J Aircraft 7 (A34-007)	Dec 15	Dec 15	<b>Dec 16</b>	<b>12</b>	4	
	C-27J Aircraft 8 (A34-008)	Feb 16	Feb 16	<b>Jul 17</b>	<b>17</b>	4	
	C-27J Aircraft 9 (A34-009)	Apr 16	Apr 16	<b>Sep 17</b>	<b>17</b>	4	
	C-27J Aircraft 10 (A34-010)	May 16	May 16	<b>Jan 18</b>	<b>20</b>	4	
	Operational Flight Trainer	TBA	TBA	TBA	TBA	TBA	1
	Fuselage Trainer	TBA	TBA	TBA	TBA	TBA	1
<b>Notes</b>							
1	<b>Contracts for the acquisition of the training devices have yet to be established.</b>						
2	<b>Aircraft 1 and 2 have been Accepted by the Commonwealth of Australia and have been placed on the Australian State Register.</b>						
3	<b>Delivery of Aircraft 3 is delayed due to the requirement for repair of the life raft door following damage sustained during the acceptance test flight. Aircraft 4 is delayed pending availability of required spares from Alenia.</b>						
4	<b>Alenia's decision to close its Naples fuselage production facility and consolidate all C-27J production at its Turin facility will result in up to a 20 month delay to delivery of Aircraft 5 through 10.</b>						

### 3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved /Forecast	Variance (Months)	Notes
In-Service Date (ISD)	Mar 15	<b>Jun 15</b>	<b>3</b>	<b>1</b>
Initial Materiel Release (IMR)	Jun 16	<b>Dec 16</b>	<b>6</b>	<b>2</b>
Initial Operational Capability (IOC)	Dec 16	Dec 16	0	
Final Materiel Release (FMR)	Oct 17	<b>Mar 18</b>	<b>5</b>	<b>3</b>
Final Operational Capability (FOC)	Dec 17	<b>Sep 18</b>	<b>9</b>	<b>3</b>



Notes	
1	Variance due to delays in establishing FMS support and training arrangements in the US.
2	Variance due to delay in anticipated delivery of Aircraft 6.
3	Variance due to delays in aircraft production, acquisition of Mature Training System devices and construction approval of facilities at RAAF Amberley. A substantial delay to FMR/FOC is anticipated as a result of the decision by Alenia to consolidate aircraft production at its Turin facility. Noting this delay, and in conjunction with other USAF C-27J divestiture considerations, the project office has commenced a detailed planning review to enable an appropriate rebaseline of the project schedule.

## Section 4 – Materiel Capability Delivery Performance

### 4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance	
<p>100%</p>	<p><b>Green:</b> The Project expects to meet capability materiel requirements as per the Joint Project Directive, Materiel Acquisition Agreement and relevant Technical Regulatory Authority.</p> <p><b>Amber:</b> N/A</p> <p><b>Red:</b> N/A</p>
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)	<b>Delivery of four aircraft, Air Logistics Support and Airborne Operations roles enabled, aircrew and maintainer training system established, and logistics support established. IMR is forecast for December 2016.</b>	<b>Not achieved.</b>
Final Materiel Release (FMR)	<b>All 10 aircraft delivered Aeromedical Evacuation and Search and Rescue roles enabled, and logistics support available at the final MOB. FMR is forecast for March 2018.</b>	<b>Not achieved.</b>

### Section 5 – Major Risks and Issues

#### 5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
<b>Capability.</b> The project is addressing a number of capability requirements that remain incomplete against the USAF JCA configuration as a result of the USAF decisions to divest.	<b>This risk has been merged with the USAF JCA C-27J Capability Baseline risk.</b>
<b>Australian Military Type Certification (AMTC).</b> As a result of the USAF decision to divest of their C-27J fleet and not complete Military Type Certification there is a chance the engineering certification effort required by the project to gain the appropriate <b>Special Flight Permit (SFP)</b> releases needed to support initial training will not be achieved in time.	<b>This risk has been retired, as it was mitigated through the application of additional project resources to this task. As a result a SFP was issued in time to support the start of flying operations.</b>
<b>USAF JCA C-27J Capability Baseline.</b> The project has reviewed the JCA C-27J capability baseline and identified a number of known USAF deficiencies. Following confirmation of divestment, USAF subsequently ceased MTC and rectification of a number of these known deficiencies. As a result there is a chance the project will not be able to address these deficiencies within available project budget and schedule, resulting in degraded capability at FOC. Noting prior to divestiture, the USAF was operating the JCA C-27J under a Military Flight Release with broad capability scope and mitigators for the known deficiencies they are not anticipated to be an impediment to achieving ISD or IOC.	A capability baseline confirmation process has been established at One Star / Band One Project Management Stakeholder Group level to address the known deficiencies. The baseline confirmation process will culminate in a plan for addressing all identified deficiencies. Each deficiency will be assessed based on its acceptability 'as is' or importance to capability in order to determine a priority for rectification. Once priorities and costs are determined, available project budget will be allocated on a priority basis. The deficiency rectification plan and associated costings will be completed end of year 2015.
Emergent Risks (risk not previously identified but has emerged during 2014-15)	
Description	Remedial Action
<b>Training Devices.</b> Delays in the establishment of contracts between the US Government and L-3 for suitable devices has led to a risk that mature devices will not be available at RAAF Amberley in time for FOC, leading to a requirement for increased training on-aircraft or an extension to US based training.	<b>The project is continuing to work closely with the USAF FMS Program Office to minimise delays to the delivery of training devices.</b>
<b>Facilities.</b> There is a chance that the construction of facilities at RAAF Amberley will not meet the schedule for FOC, leading to a delay in establishing mature training facilities in Australia	<b>Air Force is working closely with Defence Support and Reform Group to understand the root causes of the delay and to explore ways of getting the schedule for facilities back on track.</b>



resulting in a requirement for increased training on-aircraft or an extension to US based training.	
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5.2 Major Project Issues

Description	Remedial Action
<p><b>USAF Divestiture of C-27J.</b> The risk that USAF C-27J divestiture would have a greater than anticipated impact on project budget and schedule has been realised. Accelerated USAF divestiture resulted in incomplete military type certification by the USAF and the unanticipated requirement for interim training to be relocated from Robins Air Force Base to L-3 facilities in Texas, with conduct of flying training to be contracted by the USAF utilising the ADF Airworthiness Management System (AMS) rather than the USAF AMS as originally planned.</p>	<p>In the absence of USAF Military Type Certification, completion of AMTC has required additional resourcing to be applied. AMTC will be achieved with nil impact to IOC/FOC schedule.</p> <p>Implementation of ADF AMS requirements in USAF contracts with L-3 took longer than anticipated and L-3 under estimated the time required to relocate and re-establish the training school at its Texas facilities resulting in approximately a six month delay to the planned start of training. The delayed start to training translated to a three month delay to achievement of the planned ISD at 35 Squadron.</p> <p>Remediation of the interim training system is ongoing between Commonwealth of Australia, USAF and L-3 with the USAF training delivery contract yet to be definitised and L-3 yet to demonstrate it can meet throughput requirements.</p> <p>The final impact to cost will be understood once contracts have been finalised between the US Government and L-3, until final cost impact is known this remains a risk to the overall project budget.</p>
<p><b>Contracting.</b> The contracting processes to establish initial training and support arrangements took longer than planned, which has had an impact on project schedule and remains an affordability risk.</p>	<p>The project continues to work closely with the USAF FMS Program Office to contain the cost and schedule impact.</p>
<p><b>Aircraft Production.</b> The unlikely risk that significant aircraft production delays would occur to impact the project IOC/FOC schedule has been realised as a result of Alenia's commercial decision to close its Naples fuselage production facility and consolidate all C-27J production at its Turin facility. This decision by Alenia in May 2015 will affect delivery of Aircraft 5 through 10 by up to 20 months placing IOC at high risk and resulting in FOC becoming unachievable by December 2017.</p>	<p>The Project is working with USAF and L-3 to implement a mitigation strategy that maximises available aircraft utilisation in support of training and 35 Squadron to support IOC and minimise impact on FOC.</p> <p>Noting the substantial delay to FMR/FOC which is anticipated, and in conjunction with other USAF C-27J divestiture considerations, the project office has commenced a detailed planning review to enable an appropriate rebaseline of the project schedule.</p>

## Section 6 – Project Maturity

### 6.1 Project Maturity Score and Benchmark

Maturity Score		Attributes							Total																																																			
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support																																																				
Project Stage	Benchmark	8	7	8	8	8	8	8	55																																																			
<b>Integration and Test</b>	Project Status	6	6	9	8	9	6	7	51																																																			
	Explanation	<ul style="list-style-type: none"> <li>• <b>Schedule:</b> Critical path activities understood. Delay to IMR anticipated however IOC remains on schedule.</li> <li>• <b>Cost:</b> Progress of USAF contracting action has enabled FMS cost to be better understood. The costs are currently expected to be contained within the available contingency budget.</li> <li>• <b>Requirement:</b> Operational Test and Evaluation of the Aircraft in Australia has commenced.</li> <li>• <b>Technical Difficulty:</b> Necessary logistics data and arrangements for its employment in support of the capability are in place.</li> <li>• <b>Commercial:</b> Contractor is in the early stages of delivery and starting to demonstrate some degree of risk management necessary.</li> <li>• <b>Operations and Support:</b> Support system elements have been defined with procurement underway and transition of some elements to the sustainment system commenced.</li> </ul>																																																										
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## Section 7 – Lessons Learned

### 7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons
<p>The level of risk and complexity contained in an FMS Letter of <b>Offer and Acceptance</b> is often understated and poorly understood. Whilst an FMS program for MOTS equipment and associated support affords a number of advantages, the transfer of a significant amount of project and technical management to the US Government implementing agency, and the weak bargaining position of the Commonwealth, increases the project's exposure to technical, schedule and cost risk. For an FMS program the level of Commonwealth contract and financial management involvement and oversight of industry is very low in comparison to that mandated for Direct Commercial Sale contracts, yet both procurement methods confront similar issues. This accords the FMS customer a 'Best Endeavours' approach to business. Adequate Commonwealth participation in key project management and technical oversight activities in the US, as provided for in the Government Combined First and Second Pass submission, is critical to providing the necessary level of project and contract management. In the case of C-27J, divestiture has further accentuated project risk and complexity, increasing the need for ongoing engagement of the USAF FMS program office and L-3 PID to ensure Commonwealth requirements and risks are adequately understood and managed.</p>	<p>Contract Management</p>
<p>The practice of approving projects with staffing to be found from within existing Divisional resourcing can result in 'late to need' or understaffing at critical project planning and execution phases that is counter productive to achieving project outcomes. Further, the recruitment process lead times for candidates not already within the ADF or Australian Public Service can create significant extended vacancies within the Project workforce, with this being exacerbated by the relatively short notice that personnel are obliged to provide for internal transfers. This is exacerbated when the Department imposes a recruiting freeze on the workforce. Whilst outsourced services may be suitable in some instances to mitigate this risk, in such circumstances they are not always available, the most efficient, or affordable, and come with an additional administrative overhead. In particular, rapidly approved projects, such as AIR 8000 Phase 2, which gained combined Government Pass approval, should be priority staffed as outlined in the approved project workforce plan, on which the Materiel Acquisition Agreement schedule was developed.</p>	<p>Resourcing</p>
<p><b>Accelerated project approval, through a combined government 1st and 2nd Pass, carries additional project execution risk given the likelihood that data fidelity and planning maturity will be otherwise inherently lower. As such, all effort should be made to understand the associated risk premium versus the benefit an accelerated project approval offers. In the case of AIR 8000 Phase 2 the potential impact of USAF divestiture was not fully appreciated across the full breadth and depth of the project. Any assumption that because procurement is via FMS it is low risk must be fully tested.</b></p>	<p>Off-The- Shelf Equipment</p>

## Section 8 – Project Line Management

### 8.1 Project Line Management in 2014-15

Position	Name
General Manager	Ms Shireane McKinnie
Division Head	AVM Leigh Gordon
Branch Head	AIRCDRE Phil Tammen
Project Director	GPCAPT Warren Bishop
Project Manager	WGCDR Martin Harris