

2023–24 Major Projects Report

Department of Defence

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Canberra ACT
18 December 2024

Dear President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken a review of the status of selected major Defence equipment acquisition projects, as at 30 June 2024, as presented by the Department of Defence. The report is titled *2023–24 Major Projects Report*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office’s website — <http://www.anao.gov.au>.

Yours sincerely



Dr Caralee McLiesh PSM
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out their duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Report snapshot

Auditor-General Report No.20 2024–25 2023–24 Major Projects Report



What is the purpose of the MPR?

The Major Projects Report (MPR) is an annual review of the Department of Defence's (Defence's) major Defence equipment acquisitions, undertaken at the request of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA).

Its purpose is to provide information and assurance to the Parliament on the performance of selected acquisitions at 30 June 2024.

This year it includes 21 Major Projects. This is the seventeenth MPR since its commencement in 2007–08.



What did we find?

The Australian National Audit Office (ANAO) reviewed the Defence information in the 21 Project Data Summary Sheets (PDSSs) and the *Statement by the Secretary of Defence*, excluding the forecast information, against the requirements of the 2023–24 Major Projects Report Guidelines (the Guidelines).

Based on the review procedures and the evidence obtained, the Auditor-General concluded that, with one exception, nothing came to her attention that caused her to believe that the information reviewed was not prepared in accordance with the Guidelines. The one exception was:

- For all project PDSSs, Section 6 — Lessons Learned: the Guidelines require disclosure of a description of the project lessons that have been learned. Due to deficiencies in Defence's governance process over lessons learned, the ANAO is unable to obtain sufficient appropriate audit evidence to conclude whether the lessons learned disclosed are materially misstated or materially correct, resulting in a limitation of scope.

The Auditor-General also drew attention to disclosures within the *Statement by the Secretary of Defence* that some information in 20 PDSSs has not been published due to Defence's assessment that the information would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth.



What is reviewed?

Defence prepares Project Data Summary Sheets (PDSSs) on selected major Defence equipment acquisition projects in accordance with guidelines endorsed by the JCPAA. The PDSSs cover:

1. Background and government approvals
2. Financial performance
3. Schedule performance
4. Delivery against agreed scope
5. Risks and issues
6. Lessons learned by the project
7. Management accountability for the project

The ANAO reviews the information in Defence's PDSSs in accordance with *ANAO Auditing Standards* specified by the Auditor-General under the *Auditor-General Act 1997*. This year Defence decided that certain information was not for publication in 20 of the 21 PDSSs on security grounds. This is an increase of eight projects when compared with the 2022–23 MPR. The ANAO has reviewed the information not published by Defence and assessed this information as part of its assurance review.

\$81.0bn

was the value of the 21 Defence Major Projects at 30 June 2024.

8 of 21

Defence Major Projects experienced in-year schedule slippage.

94.5%

was the expected delivery against agreed scope across the Major Projects at 30 June 2024 — with seven of the 21 projects reporting that some elements of capability/scope delivery 'were under threat' or 'unlikely to be met'.

Part 1. ANAO Review and Analysis

Summary

Background

1. The Department of Defence's (Defence) Capability Acquisition and Sustainment Group (CASG) manages the process of bringing new specialist military equipment into service for the Australian Defence Force (ADF). Since October 2022, the Naval Shipbuilding and Sustainment Group (NSSG) has had responsibility for building and sustaining maritime capabilities.¹ At 30 June 2024, Defence was managing 568 major and 99 minor acquisition projects, with a total acquisition cost of \$245 billion.² Defence capitalised \$10.3 billion from these projects in 2023–24.³
2. The Major Projects Report (MPR) contains Defence information and commentary on a selection of its major projects (the Major Projects) and assurance and analysis of that information by the Australian National Audit Office (ANAO). This report is the seventeenth annual MPR.
3. Major Projects are selected for inclusion in the MPR based on criteria endorsed by the Parliament's Joint Committee of Public Accounts and Audit (JCPAA).⁴ The projects represent a selection of the most significant major projects managed by CASG (16 projects) and NSSG (five projects) (see Table S.1).
4. The total approved budget for the 21 Major Projects included in this report is approximately \$81.0 billion, which is 33.1 per cent of the total \$245 billion budget for major and minor Defence acquisition projects (or 48.3 per cent of the total budget for projects managed by CASG and NSSG).

Selected projects

5. The 21 Major Projects selected for review comprise of seven SEA projects, seven LAND projects, six AIR projects and one joint (JNT) project. These projects and their government approved budgets, at 30 June 2024, are listed in Table S.1.

Table S.1: 2023–24 MPR — selected projects and approved budgets at 30 June 2024

Project number (Defence capability plan)	Project name (on Defence advice)	Project abbreviation (on Defence advice)	Managed by	Approved budget (\$m)
SEA 5000 Phase 1	Hunter Class Frigate Design and Construction	Hunter Class Frigate ^a	NSSG	25,924.0
AIR 6000 Phase 2A/2B	New Air Combat Capability	Joint Strike Fighter ^a	CASG	16,589.1

1 Defence's acquisition governance arrangements are discussed in Chapter 1.

2 Department of Defence, *Defence Annual Report 2023–24*, Defence, Canberra, 2024, p. ii. The figure represents the whole of Defence projects and is not limited to those being managed by CASG or NSSG. Of this, CASG and NSSG manages 143 major and four minor acquisition projects worth a total acquisition cost of \$167.6 billion, as disclosed in **Part 2** of this report.

3 Department of Defence, *Defence Annual Report 2023–24*, Defence, Canberra, 2024, Appendix A Financial Statements, Note 3.2A Additions by purchase or internally developed, p.199. The figure represents the whole of Defence specialist military equipment and is not limited to those being managed by CASG or NSSG.

4 The *2023–24 Major Projects Report Guidelines* were endorsed by the JCPAA on 19 October 2023 and are included in **Part 4** of this report.

Project number (Defence capability plan)	Project name (on Defence advice)	Project abbreviation (on Defence advice)	Managed by	Approved budget (\$m)
LAND 400 Phase 2	Combat Reconnaissance Vehicles	Combat Reconnaissance Vehicles ^a	CASG	5,774.7
LAND 4503 Phase 1	Armed Reconnaissance Helicopter (ARH) Replacement	ARH Replacement ^b	CASG	4,560.4
SEA 1180 Phase 1	Offshore Patrol Vessel	Offshore Patrol Vessel ^a	NSSG	3,704.8
AIR 5349 Phase 6	Advanced Growler Development	Advanced Growler	CASG	3,222.2
LAND 121 Phase 3B	Medium Heavy Capability, Field Vehicles, Modules and Trailers	Overlander Medium/Heavy ^a	CASG	2,862.9
AIR 7000 Phase 1B	MQ-4C Triton Remotely Piloted Aircraft System	MQ-4C Triton	CASG	2,447.7
AIR 555 Phase 1	Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) Capability	Peregrine	CASG	2,394.8
LAND 907 Phase 2/ LAND 8160 Phase 1	Main Battle Tank Upgrade, Combat Engineering Vehicles	Heavy Armoured Capability	CASG	2,359.6
LAND 121 Phase 4	Protected Mobility Vehicle — Light (PMV-L)	Hawkei ^a	CASG	1,976.0
SEA 9100 Phase 1	Improved Embarked Logistics Support Helicopter	IE Logistics Support Helicopter ^b	CASG	1,710.4
AIR 2025 Phase 6	Jindalee Operational Radar Network	JORN Mid-Life Upgrade ^a	CASG	1,285.6
LAND 19 Phase 7B	Short Range Ground Based Air Defence	SRGB Air Defence	CASG	1,241.1
AIR 5431 Phase 3	Civil Military Air Management System	CMATS ^a	CASG	1,010.0
LAND 200 Tranche 2	Battlefield Command System	Battlefield Command System ^a	CASG	972.5
JNT 2072 Phase 2B	Battlespace Communications System Phase 2B	Battle Comm. Sys. (Land) 2B	CASG	948.6
SEA 1439 Phase 5B2	Collins Class Communications and Electronic Warfare Improvement Program	Collins Comms and EW ^a	NSSG	616.1

ANAO Review and Analysis

Auditor-General Report No.20 2024–25
2023–24 Major Projects Report

Project number (Defence capability plan)	Project name (on Defence advice)	Project abbreviation (on Defence advice)	Managed by	Approved budget (\$m)
SEA 3036 Phase 1	Pacific Patrol Boat Replacement	Pacific Patrol Boat Repl	NSSG	517.5
SEA 1442 Phase 4	Maritime Communications Modernisation	Maritime Comms ^a	CASG	441.8
SEA 1448 Phase 4B	ANZAC Air Search Radar Replacement	ANZAC Air Search Radar Repl ^a	NSSG	429.4
Total (21 projects)				80,989.2

Note a: This is one of 12 projects examined in an ANAO performance audit. See Appendix 1, on p. 88, for more information.

Note b: This is one of two projects included in the MPR for the first time in 2023–24.

Source: Defence's Project Data Summary Sheets (PDSSs) are provided in **Part 3** of this report.

Rationale for undertaking the review

6. The MPR is prepared at the request of the Parliament. The JCPAA has stated that the objective of the MPR is 'to improve the accountability and transparency of Defence acquisitions for the benefit of Parliament and other stakeholders.'⁵ The JCPAA commissions the MPR in the public interest, for the benefit of users of the report inside and outside the Parliament. The MPR informs parliamentary scrutiny and the national conversation on major Defence acquisitions, and is intended to assist users by adopting a consistent reporting format over time and through the inclusion of summary and longitudinal analysis prepared by the ANAO.

7. Defence's major Defence equipment acquisition projects remain the subject of parliamentary and public interest due to their: high cost and contribution to national security in a changing strategic environment; the challenges involved in completing them within the specified budget and schedule, and to the required capability; and their contribution to industrial and employment policy objectives.

Conduct of the review

8. Defence is expected to prepare Project Data Summary Sheet (PDSS) information for the ANAO to review in accordance with the *2023–24 Major Projects Report Guidelines* (Guidelines), endorsed annually by the JCPAA (included in **Part 4** of this report).⁶ The status of the Major Projects selected for review is reported in the *Statement by the Secretary of Defence* (included in **Part 3** of this report) and a Project Data Summary Sheet (PDSS) prepared by Defence for each of the Major Projects (included in **Part 3** of this report).

5 Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Report 483: Inquiry into the 2018–19 Defence Major Projects Report and the Future Submarine Project – Transition to Design* (Auditor-General's Reports 19 and 22 (2019–20)), (2020), Objective of the Major Projects Report, p. 6, available from, https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/2018-19/DefenceMPR/Report [accessed 16 November 2024].

6 The JCPAA has taken an active role in the development and review of the MPR. The main changes to the MPR Guidelines have tended to follow on from the JCPAA's recommendations. The Guidelines for the 2023–24 MPR were endorsed by the JCPAA on 19 October 2023.

9. The ANAO has reviewed each of the PDSSs prepared by Defence as a ‘priority assurance review’ under subsection 19A(5) of the *Auditor-General Act 1997* (the Act), which allows the ANAO full access to the information gathering powers under the Act.

10. The ANAO’s review provides limited assurance⁷ and was undertaken in accordance with the *ANAO Auditing Standards*. The ANAO’s review included an assessment of Defence’s systems and controls, including the governance and oversight in place, to ensure appropriate project management. The ANAO sought representations and confirmation from Defence senior management and industry (through Defence) on the status of the selected Major Projects.

11. The objective of this ANAO assurance engagement and the ANAO review procedures is to allow the Auditor-General to provide independent assurance to the Parliament whether the PDSSs have been prepared in accordance with the Guidelines, including the status of the Major Projects selected for review. A summary of the Auditor-General’s conclusion is set out in paragraphs 26 to 29. The full conclusion is found in the Auditor-General’s *Independent Assurance Report* in **Part 3** of this report.

12. Certain forecast information found in the Defence PDSSs, such as Australian Industry Capability (AIC), forecast dates, expected capability/scope delivery performance and future risks are excluded from the scope of the ANAO’s review.⁸ These exclusions to the scope of the review are due to a lack of Defence systems from which to provide complete and/or accurate evidence in a sufficiently timely manner to facilitate the review. Accordingly, the Auditor-General’s *Independent Assurance Report* does not provide assurance in relation to this information. However, where material inconsistencies between the information disclosed in these excluded sections and the ANAO’s understanding from performing review procedures on the in-scope information are identified, the Auditor-General’s conclusion is qualified. This has been an area of focus of the JCPAA over a number of years⁹ and it is intended that all components of the PDSSs will eventually be included within the scope of the ANAO’s review.

13. In addition to the review procedures performed in relation to the PDSSs, the ANAO has undertaken an analysis of the PDSSs, including longitudinal analysis.¹⁰

14. Defence provides additional insights and context in its commentary and analysis contained in **Part 2** of the MPR. This commentary and analysis is not included in the scope of the ANAO’s

7 In a limited assurance engagement, the assurance practitioner (in this case the ANAO) performs procedures, primarily consisting of: making enquiries of managers and others within the entity, as appropriate; the examination of documentation; and the evaluation of the evidence obtained. The procedures performed are detailed in paras. 1.7 to 1.9 of **Part 1** of this report. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent, than those performed for a reasonable assurance engagement (an ANAO performance audit is typically a reasonable assurance engagement). Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

8 Section 1.2 Current Status—Materiel Capability/Scope Delivery Performance; Section 1.3 Project Context—Major Risks and Issues; Section 2.4 Australian Industry Capability; Section 4.1—Measures of Materiel Capability/Scope Delivery Performance; Section 5—Major Risks and Issues; and forecast dates included in a PDSS.

9 Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Report 473: Defence Major Projects Report (2016–17)*, Canberra 2018, Recommendation 2, p. vii, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/MPR2016-17/Report_473 [accessed 16 November 2024].

10 A longitudinal study involves repeated observations of the same variables over time. A summary of the ANAO’s longitudinal analysis of the Major Projects, and the key variables observed as part of the analysis, is found in Table S.7 on p. 25. The detailed analysis is found in Chapter 2.

assurance review. Information on significant events occurring post 30 June 2024 is outlined in the *Statement by the Secretary of Defence* contained in **Part 3** of the MPR and is included in the scope of the ANAO's assurance review.

Treatment of classified information

15. The Guidelines endorsed by the JCPAA set out the information to be included by Defence in its PDSSs for each MPR project, including forecast dates and capability information. The Guidelines also provide (see paragraph 1.22 of **Part 4**) that:

Defence is responsible for ensuring information of a classified nature is made available to the ANAO for review, as it relates to the data contained within the PDSSs. Defence will provide data for inclusion in the final MPR in a way that allows for unclassified publication. Defence will provide advice to the ANAO on the classification of information contained across all PDSSs.

2023–24 MPR — not for publication material

16. In the course of preparing the 2023–24 MPR, Defence advised the ANAO of its decision that certain information relating to forecast dates¹¹, capability delivery information, variance information and risks and issues was not for publication (NFP), and would not be included in the relevant PDSSs for 20 of the 21 projects (see paragraphs 18 to 26 and Table S.2 and Table S.3).¹² This is an increase from:

- 12 projects reported in the 2022–23 MPR; and
- four projects reported in the 2021–22 MPR.

17. As required by the MPR Guidelines, the not for publication information was provided to the ANAO for review. The ANAO obtained limited assurance over the information provided where it was within the scope of the review procedures.

18. As was the case since the 2021–22 MPR, the 2023–24 report does not provide the same level of information compared to reporting prior to 2020–21 and provides a reduced level of transparency and accountability to Parliament and other stakeholders.

19. In contrast to the 2021–22 MPR, the ANAO is in a position to publish aggregate analysis on: total schedule slippage across this year's projects; average schedule slippage across this year's projects; and in-year schedule slippage across this year's projects (see Table S.7). This results from the increase in the number of PDSSs, which have not disclosed Final Operational Capability (FOC) forecast dates — from nine last year to 18 this year.¹³ The larger number of projects with information not disclosed this year means that it is not possible to derive the 'not for publication' information for individual projects from the aggregate analysis. The impacts on the ANAO's analysis of schedule performance are discussed further in paragraphs 60 to 68.

-
- 11 Forecast dates related to Section 3.1 Design Review Progress, Section 3.2 Contractor Test and Evaluation Progress, Section 3.3 Progress Toward Materiel Release and Operational Capability Milestones and Section 4.2 Constitution of Materiel Release and Operational Capability Milestones.
- 12 The one project with no information classified as not for publication was Battlespace Communications System Phase 2B (JNT 2072 Phase 2B).
- 13 The total of Final Operational Capability (FOC) non-disclosure in 18 PDSSs consists of 16 projects not disclosing the FOC date on the basis of NFP security decisions, with two additional projects (Hunter Class Frigate and Hawkei) not considered NFP and instead do not have an FOC date declared, or it is 'to be determined' (TBA).

20. The 2022–23 and 2023–24 MPRs provide the user with more aggregate performance information than in the 2021–22 MPR, it does not provide the same level of information on individual project performance compared to the 2020–21 MPR and prior years.

21. The Secretary of Defence has stated in **Part 2** of this year’s MPR that:

In accordance with the Joint Committee of Public Accounts and Audit 2023–24 MPR Guidelines (Guidelines), Defence is responsible for ensuring that the information in the MPR is suitable for unclassified publication. Australia’s strategic circumstances have markedly changed since the MPR was first implemented. Defence has assessed that some details, both in respect of individual projects and in aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitisation of the data. There are 20 projects in this MPR in which some new or updated information has not been published on security grounds.

Defence provided the required information to the ANAO to conduct their assurance and analysis activities.¹⁴

22. The Secretary has further stated in this year’s *Statement by the Secretary of Defence* that:

A security classification review of the information contained within the PDSSs for release in the 2023–24 MPR has been completed.

The purpose of the security review is to ensure that each individual PDSS reflects data at an ‘unclassified’ level and to confirm the aggregated information is not a risk to national security, and is suitable for public release through tabling in Parliament.

It is assessed that some details, both with respect to independent projects and in the aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitisation of the data. These details have been removed from the relevant PDSS. This is marked in the PDSS by the terms “NFP” meaning Not for Publication, or “Delayed” meaning delayed from the Original Planned date or the Forecast date in the 2023–24 PDSS.¹⁵

23. Table S.2 lists the 20 PDSSs affected by Defence’s position on publication and their approved budgets. The affected PDSSs represent 95.2 per cent of all PDSSs. The affected projects represent 98.8 per cent of the aggregate approved budget for the MPR projects as a whole.

Table S.2: PDSSs indicating that certain information is not for publication and approved budgets for affected projects

Project number (Defence capability plan)	Project abbreviation ^a (on Defence advice)	Approved budget (\$m)
SEA 5000 Phase 1	Hunter Class Frigate	25,924.0
AIR 6000 Phase 2A/2B	Joint Strike Fighter	16,589.1
LAND 400 Phase 2	Combat Reconnaissance Vehicles	5,774.7
LAND 4503 Phase 1	ARH Replacement	4,560.4
SEA 1180 Phase 1	Offshore Patrol Vessels	3,704.8
AIR 5349 Phase 6	Advanced Growler	3,222.2
LAND 121 Phase 3B	Overlander Medium/Heavy	2,862.9

14 2023–24 MPR, **Part 2**, p. 98.

15 2023–24 MPR, *Statement by the Secretary of Defence*, **Part 3**, p. 123.

Project number (Defence capability plan)	Project abbreviation ^a (on Defence advice)	Approved budget (\$m)
AIR 7000 Phase 1B	MQ-4C Triton	2,447.7
AIR 555 Phase 1	Peregrine	2,394.8
LAND907 Phase 2/LAND 8160 Phase 1	Heavy Armoured Capability	2,359.6
LAND 121 Phase 4	Hawkei	1,976.0
SEA 9100 Phase 1	IE Logistic Support Helicopters	1,710.4
AIR 2025 Phase 6	JORN Mid-Life Upgrade	1,285.6
LAND 19 Phase 7B	SRGB Air Defence	1,241.1
AIR 5431 Phase 3	CMATS	1,010.0
LAND 200 Tranche 2	Battlefield Command System	972.5
SEA 1439 Phase 5B2	Collins Comms and EW	616.1
SEA 3036 Phase 1	Pacific Patrol Boats Replacement	517.5
SEA 1442 Phase 4	Maritime Comms	441.8
SEA 1448 Phase 4B	ANZAC Air Search Radar Repl	429.4
Total projects/approved budget affected by NFP decisions	20	80,040.6
Percentage of projects/approved budget affected by NFP decisions	95.2%	98.8%

Note a: Content aligns to the 2023–24 MPR Guidelines, Table 2 and is documented in the respective 2023–24 PDSSs. Source: ANAO analysis of Defence's 2023–24 PDSSs.

24. Table S.3 provides information on the sections of the 20 affected PDSSs that have been impacted by Defence not publishing certain information relating to forecast dates, capability delivery information and variance information.

25. Defence did not disclose the FOC forecast date in the PDSS for 18 projects (2022–23: nine). Of these, 16 projects did not disclose due to NFP considerations (2022–23: eight), and two projects did not have a settled FOC date (2022–23: one). This represents 85.7 per cent of PDSSs that did not include FOC dates this year.¹⁶

Table S.3: PDSSs — sections affected by not for publication decisions^a

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
<i>SEA 5000 Phase 1 Hunter Class Frigate Design and Construction (POI) (Hunter Class Frigate)</i>	<i>Initial Materiel Release (IMR) Initial Operational Capability (IOC). Capability, milestone dates and variance information.</i>	<i>Section 1.2 and Section 2.1 – information relating to funding and schedule performance.</i>

¹⁶ FOC is the key milestone that forms the basis for the majority of the ANAO's schedule analysis in the MPR, including total project slippage, average schedule slippage, and in-year schedule slippage. The impacts on the ANAO's analysis of schedule performance are discussed further in paras. 60 to 68 and highlighted in the relevant text in **Part 1**.

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
		<p><i>Section 3.1, Section 3.2 and Section 4.2 – information relating to milestone dates and variance.</i></p> <p><i>Section 5.1 - information relating to Major Risk 1.</i></p>
AIR6000 Phase 2A/2B New Air Combat Capability (Joint Strike Fighter)	<p>Final Materiel Release (FMR). Final Operational Capability (FOC). Post-Final Operational Capability.</p> <p>Capability, milestone dates and variance information, and in Notes 1 and Note 3.</p>	<p><i>Section 1.2 - information relating to FOC and the process leading to FOC.</i></p> <p><i>Section 1.3, Section 3.2 – information relating to capability weapons delivery, delays of acceptance of final air vehicles and in Note 8 in Section 3.2.</i></p> <p><i>Section 2.1 – information in Note 3.</i></p> <p><i>Section 2.2A – information relating to details in the explanation.</i></p> <p><i>Section 4.2 – FMR and FOC dates and post-final operational capability details.</i></p> <p><i>Section 5.3 – information relating to major project issues.</i></p>
LAND400 Phase 2 Mounted Combat Reconnaissance Capability (Combat Reconnaissance Vehicles)	<p><i>Final Materiel Release (FMR)</i> <i>Final Operational Capability (FOC)</i></p> <p>Capability, milestone dates and variance information.</p>	<p>Section 1.3, 5.1 and 5.3 – information relating to air transportability dates, Active Protection System, and key risks.</p> <p><i>Section 3.1 – information relating to critical design forecast dates and variance.</i></p> <p><i>Section 3.2 – information relating to Block II forecast dates and variance.</i></p>
LAND4503 Phase 1 Armed Reconnaissance Helicopter Replacement (ARH Replacement)	<p><i>Initial Materiel Release (IMR)</i> <i>Initial Operational Capability (IOC)</i> <i>Final Materiel Release (FMR)</i> <i>Final Operational Capability (FOC)</i></p> <p>Capability, milestone dates and variance information.</p>	<p><i>Section 1.2, Section 1.3, Section 3.2 and Section 4.2 – information relating to unique capability, test and evaluation dates and references to milestone dates and variance.</i></p>
SEA 1180 Phase 1 Offshore Patrol Vessel	<p><i>Final Materiel Release (FMR)</i> <i>Final Operational Capability (FOC)</i></p> <p>Capability, milestone dates and variance information.</p>	<p><i>Section 3.2 – information relating to milestone dates and variance for OPVs and in Note 4.</i></p> <p><i>Section 4.2 – information relating to FMR and FOC dates.</i></p>
AIR 5349 Phase 6 Advanced Growler Development (Advanced Growler)	<p>Materiel Release 2 to 9 <i>MTTES RFT 1 to 4</i> Tranche 2 Investment Committee Tranche 2 Second Pass Approval</p>	<p><i>Section 1.1, Section 1.2, Section 3.1, Section 3.2 and Section 4.2 – information relating to capability, milestone dates and variance.</i></p>

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Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
	<p><i>Tranche 1 Initial Operational Capability (IOC)</i></p> <p>Tranche 1 Operational Capability (OC2)</p> <p>Capability, milestone dates, variance information <i>and in Notes 3. 4 and 6.</i></p>	
<p><i>LAND 121 Phase 3B Medium Heavy Capability, Field Vehicles, Modules and Trailers</i></p>	<p><i>Note 4, information in relation to caveats.</i></p>	<p><i>Section 1.2, Section 1.3 – information relating to schedule performance, caveats and project major issues.</i></p> <p><i>Section 3.2 – information relating to milestone dates and variance for MHGA/MHGS, and vehicles and a Note.</i></p> <p><i>Section 4.1 – information relating to caveats with FOC.</i></p> <p><i>Section 4.2 – information relating to FMR and FOC.</i></p> <p><i>Section 5.2 – information relating to caveats.</i></p> <p><i>Section 5.3 – information relating to major issues and a major project issue.</i></p>
<p>AIR 7000 Phase 1B MQ-4C Triton Remotely Piloted Aircraft System (MQ-4C Triton)</p>	<p><i>In Service Date (ISD).</i></p> <p><i>Initial Materiel Release (IMR).</i></p> <p><i>Initial Operational Capability (IOC).</i></p> <p><i>Final Materiel Release (FMR).</i></p> <p><i>Final Operational Capability (FOC).</i></p> <p>Capability, milestone dates and variance information and notes.</p>	<p>Section 1.2, Section 1.3, Section 3.2, Section 4.1 and Section 4.2 – information relating to capability, other current related project information and milestone dates and variance.</p>
<p>AIR 555 Phase 1 Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) Capability (Peregrine)</p>	<p>Initial Materiel Release (IMR).</p> <p>Initial Operational Capability (IOC).</p> <p>Final Materiel Release (FMR).</p> <p>Final Operational Capability (FOC).</p> <p>Capability, milestone dates and variance information and Note 5.</p>	<p>Section 1.2, Section 1.3, Section 3.2 Section 4.1 and Section 4.2 – information relating to cost performance, capability, other current related project information, schedule dates and variances, including in Notes 3 and 5 of Section 3.2.</p>
<p>LAND 907 Phase 2/ LAND 8160 Phase 1, Main Battle Tank Upgrade, Combat Engineering Vehicle (Heavy Armoured Capability)</p>	<p>Initial Materiel Release (IMR).</p> <p>Initial Operational Capability (IOC).</p> <p>Final Materiel Release (FMR).</p> <p>Final Operational Capability (FOC).</p>	<p><i>Section 1.2 – information relating to schedule progress.</i></p> <p>Section 3.1, Section 3.2 and Section 4.2 – information relating to milestone dates and variance, including in Notes 3 and 5 of Section 3.2.</p>

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
	Capability, milestone dates and variance information.	
<i>LAND 121 Phase 4 Protected Mobility Vehicles Light (Hawkei)</i>	<i>Nil.</i>	<i>Section 1.2 – information relating to capability. Section 3.2 – information relating to milestone dates, variance and in Note 7. Section 4.1 – information relating to the red category.</i>
<i>SEA 9100 Phase 1 Improved Embarked Logistics Support Helicopter (IE Logistics Support Helicopter)</i>	<i>Initial Materiel Release (IMR.) Initial Operational Capability (IOC) Final Materiel Release (FMR) Final Operational Capability (FOC) Capability, milestone dates and variance information and a Note.</i>	<i>Section 1.2 – information relating to schedule. Section 3.2 and Section 4.2 – information relating to milestone dates and variance, including a Note in Section 3.2.</i>
<i>AIR 2025 Phase 6 Jindalee Operational Radar Network (JORN Mid-Life Upgrade)</i>	<i>Initial Operational Capability (IOC). Materiel Release 2 (MR2). Operational Capability 2 (OC2). Final Materiel Release (FMR) Final Operational Capability (FOC) Capability, milestone dates and variance information.</i>	<i>Section 1.2, Section 3.1, Section 3.2 and Section 4.2 – information relating to milestone dates, variance and capabilities.</i>
<i>LAND 19 Phase 7B Short Range Ground Based Air Defence (SRGB Air Defence)</i>	<i>Final Materiel Release (FMR) Final Operational Capability (FOC) Capability, milestone dates and variance information.</i>	<i>Section 1.2, Section 2.3B, Section 3.2 and Section 4.2 – information relating to weapons quantities and milestone dates and variance.</i>
<i>AIR 5431 Phase 3 Civil Military Air Management System (CMATS)</i>	<i>Nil.</i>	<i>Section 5.3 – information relating to a major project issue.</i>
<i>LAND 200 Tranche 2 Battlefield Command System</i>	<i>Initial Materiel Release (IMR). Initial Operational Capability (IOC). Final Materiel Release (FMR.) Final Operational Capability (FOC.) Capability, milestone dates and variance information.</i>	<i>Section 1.2 – information relating to scheduling. Section 3.1, Section 3.2 and Section 4.2 – information relating to milestone dates and variance.</i>
<i>SEA 1439 Phase 5B2 Collins Class Communications and Electronic Warfare Improvement Program</i>	<i>FMR MWES. FMR Stage 2. Final Operational Capability (FOC) stage 1, 2 & MWES.</i>	<i>Section 1.2, Section 1.3, Section 2.1 Section 4.2 and Section 5.3 – information relating to milestone dates, constitution of material releases and</i>

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
(Collins Comms and EW)	Reasons for delay are not for publication. Capability, milestone dates and variance information, in Note 10 and two Notes.	major project issues, including in Note 3 to Section 2.1.
<i>SEA 3036 Phase 4 Pacific Patrol Boat Replacement (Pacific Patrol Boat Repl)</i>	<i>Final Materiel Release (FMR)</i> <i>Final Operational Capability (FOC)</i> <i>Capability, milestone dates and variance information</i>	<i>Section 1.2, Section 1.3, Section 3.2 and Section 4.2 – information regarding milestone dates and variance.</i> Section 1.3 information regarding a major project issue.
SEA 1442 Phase 4 Maritime Communications Modernisation (Maritime Comms)	Materiel Release 7 — Ship #7. Final Materiel Release (FMR). Final Operational Capability (FOC) Capability, milestone dates and variance information.	Section 3.2 and Section 4.2 – information relating to milestone dates and variance.
<i>SEA 1448 Phase 4B ANZAC Air Search Radar Replacement (ANZAC Air Search Radar Repl.)</i>	<i>Final Materiel Release (FMR).</i> <i>Final Operational Capability (FOC).</i> <i>Capability, milestone dates and variance information and in Note 7.</i>	<i>Section 1.2, Section 3.2 and Section 4.2 – information relating to milestone dates and variance.</i>

Note a: Information not for publication that has changed from 2022–23 is marked in italics.

Note: LAND 4503 Phase 1 ARH Replacement and SEA 9100 Phase 1 IE Logistics Support Helicopter are included in the MPR for the first time in 2023–24.

Source: ANAO analysis of Defence's 2023–24 PDSSs.

26. Defence's decision to not disclose forecast dates, capability delivery information and variance information for the 20 projects, as outlined in Table S.3, reduces the level of transparency and accountability to Parliament and other stakeholders. The Auditor-General has included an Emphasis of Matter¹⁷ in the *Independent Assurance Report* (see the next section and **Part 3** of this report).

Overall outcomes

Summary of the Auditor-General's conclusion

27. The Auditor-General's *Independent Assurance Report* for 2023–24 is found in **Part 3** of this report.

17 An emphasis of matter paragraph is designed to draw attention to a matter that has been disclosed in the Defence PDSSs and *Statement by the Secretary of Defence*. It is included in the Auditor-General's *Independent Assurance Report* because the Auditor-General is of the view that awareness of the disclosure is fundamental to the reader's understanding of the PDSSs and *Statement by the Secretary of Defence*. It should be noted that an emphasis of matter is not a modification to the assurance conclusion – that is, it is not included in the qualifications to the assurance conclusion.

28. Based on the review procedures and the evidence obtained, the Auditor-General concluded that, with one exception, nothing came to her attention that caused her to believe that the information reviewed was not prepared in accordance with the Guidelines.

29. The one exception was Section 6 — Lessons Learned for all 2023–24 PDSSs. The Guidelines require disclosure of a description of the project lessons that have been learned. Deficiencies in Defence’s processes in identifying lessons learned resulted in a limitation of the scope of the ANAO’s review. As a result, the ANAO was unable to obtain sufficient appropriate audit evidence to conclude whether the disclosure of the lessons learned in the PDSSs is in accordance with the requirements of the Guidelines.

30. The Auditor-General also included an Emphasis of Matter paragraph to draw attention to disclosures within the *Statement by the Secretary of Defence* (found in **Part 3** of this report) that some information in 20 PDSSs has not been published due to Defence’s assessment that the information would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth.¹⁸

Statement by the Secretary of Defence

31. The *Statement by the Secretary of Defence* (Statement) was signed on 11 December 2024. The Secretary’s statement provides his opinion that the PDSSs for the 21 major acquisition projects that form part of the MPR ‘comply in all material respects with the Guidelines and reflect the status of the projects as at 30 June 2024’.

32. The Secretary included commentary on the non-publication of information by Defence in 20 PDSSs (see paragraphs 21 to 22).

33. The Statement also details significant events occurring post 30 June 2024, which materially impact the projects included in the report and should be read in conjunction with the individual PDSSs. The Statement includes information on nine projects.¹⁹

- Maritime Communications Modernisation (SEA 1442 Phase 4).
- Pacific Patrol Boat Replacement (SEA 3036 Phase 1).
- Medium Heavy Capability Field Vehicles, Modules and Trailers (LAND 121 Phase 3B).
- Battlefield Command System (LAND 200 Tranche 2).
- Main Battle Tank Upgrade/ Combat Engineering Vehicles (LAND 907 Phase 2/LAND 8160 Phase 1).
- Jindalee Operational Radar Network (AIR 2025 Phase 6).
- New Air Combat Capability (AIR 6000 Phase 2A/2B).
- MQ-4C Triton Remotely Piloted Aircraft System (AIR 7000 Phase 1B).
- Battlespace Communications System Phase 2B (JNT 2072 Phase 2B).

18 The affected PDSSs are set out in Table S.2 and Table S.3 at pp. 8 to 13.

19 The 2023–24 MPR Guidelines require Defence to report, in the *Statement by the Secretary of Defence*, on projects which have been removed from the MPR which still have outstanding caveats, and significant remaining materiel capability/scope or milestones to be delivered. The Secretary of Defence provided an update on the following projects: Supply Class Replenishment Ships (SEA 1654 Phase 3), Night Fighting Equipment Replacement (LAND 53 Phase 1BR), Growler (AIR 5349 Phase 3), P-8A Poseidon (AIR 7000 Phase 2) and Battlefield Airlift – Caribou Replacement (AIR 8000 Phase 2).

Key observations

34. The ANAO's review (found in **Part 1** of this report) includes Defence's project management and reporting arrangements contributing to the overall governance of the Major Projects. A summary of observations is provided below.

Non-publication of information by Defence leading to limited analysis

35. As discussed at paragraphs 16 to 26, Defence has not published certain information in 20 PDSSs (2022–23: 12). The 2022–23 and 2023–24 MPR provides the user with more aggregate performance information than in the 2021–22 MPR. It does not provide the same level of information on individual project performance compared to the 2020–21 MPR and prior years.

JCPAA recommendations and requests

36. Chapters 1 and 2 of this MPR detail Defence's implementation of JCPAA recommendations from the JCPAA *Report 496: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates (Interim Report on the 2020–21 and 2021–22 Defence Major Projects Report)*.²⁰ This includes prior JCPAA requests relating to Defence's acquisition governance: governance for entry to the Projects of Interest and Projects of Concern lists; implementation and compliance with internal policies for contingency funding and lessons learned; and defining terms relating to a delta or deviation from the achievement of a Major Project milestone.²¹

37. Defence provided a response in December 2023 to all three recommendations made by the JCPAA in its Report 496.²² Defence agreed with all three recommendations and outlined improvements in policies and practice implemented by Defence since the 2022–23 MPR.

38. In June 2024 the JCPAA tabled *Report 503: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*.²³ The committee made six recommendations relating to: provision of confidential submissions and briefings on information withheld from publication; updates on changes arising from internal review findings; updates on the Hunter Class Frigate project; the assessment of design maturity in future projects; implementation of a new record keeping framework and new Chief Information Governance Officer role; and amendments to the Commonwealth Procurement Rules. These recommendations, where applicable to the MPR, are also reported on in Chapters 1 and 2 of the 2023–24 MPR.

20 Joint Committee of Public Accounts and Audit, *Report 496: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Defence_MPR2020-21-22_and_Procurement_of_Hunter_Class_Frigates/Interim_Report [accessed 22 October 2024].

21 Recommendation 4 from Joint Standing Committee of Public Accounts and Audit, *Report 489 Inquiry into the Defence Major Projects Report 2019–20*, March 2022, Canberra.

22 Department of Defence, *Australian Government Response – Interim Report 496 – Recommendations 1-3*, Canberra, 2023, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Defence_MPR2020-21-22_and_Procurement_of_Hunter_Class_Frigates/Interim_Report [accessed 23 October 2024].

23 Joint Committee of Public Accounts and Audit, *Report 503: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, Canberra, 2024, available from https://parlinfo.aph.gov.au/parlInfo/download/committees/reportint/RB000337/toc_pdf/Report503InquiryintotheDefenceMajorProjectsReport2020-21and2021-22andProcurementofHunterClassFrigates.pdf [accessed 18 October 2024].

39. In its Report 503, the Committee²⁴:

...acknowledges that there are external accountability and assurance mechanism in place to scrutinise Defence activities other than the MPR. The Committee considers however that the MPR is an important accountability mechanism that should continue for the foreseeable future, as it provides a structured level of scrutiny and granularity across major capability projects that would not be provided through these other processes.

40. On 29 February 2024, the JCPAA commenced an inquiry into the 2022–23 Major Projects Report. This inquiry will consider the scope and Guidelines, which underpin the MPR and assess whether the MPR process continues to provide appropriate transparency and accountability to the Parliament in relation to Defence's capability acquisition expenditure and remains fit for purpose into the future. The inquiry report is yet to be released.

Auditor-General reports

Tabled in the Parliament

41. Auditor-General Report No.21 2022–23 *Department of Defence's Procurement of Hunter Class Frigates* was tabled in the Parliament in May 2023. This performance audit report included two recommendations to Defence, which were to improve: compliance with record keeping requirements; and advice to government on whole-of-life costs and value for money.

42. In July 2024, Recommendation 1 relating to compliance with record keeping requirements was closed by Defence after it reported that: NSSG introduced mandatory record keeping training; updated its onboarding processes; and undertook a review of record management practices in the Hunter Class Frigates Branch.

43. At December 2024, Recommendation 2 remains open. This relates to procurement advice to the Australian Government on major capital acquisition projects that documents the basis and rationale for proposed selection decisions, including information on the department's whole-of-life cost estimates and assessment of value.

Performance audits underway

44. At December 2024, the ANAO is conducting four performance audits that may have a link to projects in the MPR.

- The effectiveness of Defence's administration of contractual obligations to maximise Australian industry participation.²⁵
- The effectiveness of the Department of Defence's sustainment arrangements for Navy's Canberra Class fleet amphibious assault ships (Landing Helicopter Dock).²⁶

24 *ibid.*, para. 1.13.

25 Australian National Audit Office, Performance Audits in Progress, available from <https://www.anao.gov.au/work/performance-audit/maximising-australian-industry-participation-through-defence-contracting>, [accessed 16 November 2024].

26 Australian National Audit Office, Performance Audits in Progress, available from <https://www.anao.gov.au/work/performance-audit/department-of-defence-sustainment-of-canberra-class-amphibious-assault-ships-landing-helicopter-dock>, [accessed 21 October 2024]. The Landing Helicopter Dock was included in the MPR from 2008–09 to 2018–19.

- The effectiveness of Airservices Australia’s management of the OneSKY contract.²⁷
- Defence’s Collins Class Life of Type Extension — planning and implementation.²⁸

Impact of Defence reviews

45. During 2023–24, four Defence reviews were concluded:

- National Defence: Defence Strategic Review 2023²⁹;
- Enhanced Lethality Surface Combatant Fleet: Independent Analysis into Navy’s Surface Combatant Fleet 2024³⁰;
- 2024 National Defence Strategy³¹; and
- 2024 Integrated Investment Program.³²

46. The National Defence: Defence Strategic Review 2023 identified³³:

Defence’s current approach to capability acquisition is not fit for purpose. The system needs to abandon its pursuit of the perfect solution or process and focus on delivering timely and relevant capability.

47. The ANAO may monitor impacts of these reviews across Major Projects as Defence implements the first 2023–2025 — *Enhanced Force-In-Being* capability milestone³⁴, and milestones into future years.

48. The Defence Chapter (**Part 2**) draws attention to the above reviews as well as the Defence Industry Development Strategy and Treatment of Classified and Sensitive Information.

49. Where Major Projects have identified an impact from the outcomes of the reviews identified in paragraph 45, these have been disclosed in the relevant PDSS in **Part 3** (Hunter Class Frigate, Combat Reconnaissance Vehicles, Offshore Patrol Vessel, Overlander, Hawkei, Battlefield Command System, and Battle Comm. Sys.).

27 Australian National Audit Office, Performance Audits in Progress, available from <https://www.anao.gov.au/work/performance-audit/management-of-the-onesky-contract>, [accessed 21 October 2024]. Under the OneSKY Australia program, Airservices is the lead agency for the joint procurement of a Civil Military Air Traffic Management System (CMATS). CMATS is intended to be delivered between Airservices and Defence.

28 Australian National Audit Office, Performance Audits in Progress, available from <https://www.anao.gov.au/work/performance-audit/collins-class-life-of-type-extension-planning-and-implementation-2025>, [accessed 29 October 2024]. The MPR has previously included the following projects relating to Collins Class Submarines: SEA 1439 Phase 3 Collins Class Submarine Reliability and Sustainability (R&S) and SEA 1439 Phase 4A Collins Replacement Combat System (RCS), and currently includes Collins Comms and EW in the scope of the 2023–24 MPR.

29 Department of Defence, *National Defence: Defence Strategic Review*, Canberra, 2023, available from <https://www.defence.gov.au/about/reviews-inquiries/defence-strategic-review>, [accessed 22 October 2024].

30 Department of Defence, *Enhanced Lethality Surface Combatant Fleet, Independent Analysis of Navy’s Surface Combatant Fleet*, Canberra, 2024, available from https://www.defence.gov.au/sites/default/files/2024-02/Enhanced_Lethality_Surface_Combatant_Fleet_web.pdf [accessed 23 October 2024].

31 Department of Defence, *2024 National Defence Strategy*, Canberra, 2024, available from <https://www.defence.gov.au/about/strategic-planning/2024-national-defence-strategy-2024-integrated-investment-program>, [accessed 30 October 2024].

32 Department of Defence, *2024 Integrated Investment Program*, Canberra, 2024, available from <https://www.defence.gov.au/about/strategic-planning/2024-national-defence-strategy-2024-integrated-investment-program>, [accessed 30 October 2024].

33 Department of Defence, *National Defence: Defence Strategic Review*, p. 20.

34 *ibid.*, p. 65, para. 8.63.

Defence acquisition governance

50. When reviewing Defence's PDSSs, the ANAO considered the following items:
- Defence's use of the Independent Assurance Review (IAR) process to report on the status of acquisition projects. In 2023–24, Defence completed an IAR on 18 of the 21 projects in this report (see paragraphs 1.22 to 1.24).³⁵
 - Defence's approach to entry and exit from the Projects of Interest and Projects of Concern lists (see paragraphs 1.25 to 1.41).
 - Defence's reporting to senior department leadership and government stakeholders on the delivery of capability to the Australian Defence Force (ADF) (see paragraphs 1.42 to 1.50).
 - The importance of capturing government decisions in internal Defence documentation and ensuring that Materiel Acquisition Agreements are appropriately aligned with these decisions (see paragraphs 1.52 to 1.57).
 - Defence's implementation of business systems to report on the status of acquisition projects (see paragraphs 1.55 to 1.57).
 - Defence's implementation of the Smart Buyer Framework to support strategic decision making in the acquisition of major projects. The framework was used at the Second Pass government approval stage for two of the projects in this year's MPR (see paragraphs 1.58 to 1.61).
 - Defence's implementation of Australian Industry Capability (AIC) expectations in the acquisition of major projects (see paragraphs 1.62 to 1.71).³⁶
 - Defence's use of project contingency funds (see paragraphs 1.78 to 1.85). Three MPR projects expended contingency funds in 2023–24: SRGB Air Defence, CMATS and Pacific Patrol Boat Repl.
 - The status of CASG's Risk Management Reform Program and the establishment of the CASG Risk Management Framework (see paragraphs 1.86 to 1.91).
 - Projects that had not fully met the requirements of CASG's Risk Management Manual Version 1 and Financial Policy (titled *Management Of Defence Capability Project Contingency*) for contingency allocation (see paragraph 1.83) and risk management (see paragraph 1.89).
 - The status of CASG's Lessons Learned policy. The internal policy was updated in February 2022 and Defence is yet to fully implement it, including the compliance monitoring arrangements undertaken by the CASG Lessons Board (see paragraphs 1.92 to 1.105).
 - Defence's declaration of significant capability milestones with 'caveats' or 'deficiencies', and Defence guidance on the use of such terms³⁷ (see paragraphs 1.106 to 1.111).

35 An IAR was considered completed by the ANAO when all parties had signed the Outcomes of the review. IARs were not completed during 2023–24 for: Offshore Patrol Vessel IAR not conducted while project is being managed as a POC and the impact of the [Independent analysis of Navy's surface combatant fleet](#) is formalised, SRGB Air Defence IAR conducted in August 2024 and Battlefield Command System IAR conducted in May 2024 but not finalised by 30 June 2024.

36 The ANAO has commenced a performance audit on 'Maximising Australian industry participation through Defence contracting', available from <https://www.anao.gov.au/work/performance-audit/maximising-australian-industry-participation-through-defence-contracting> [accessed 16 November 2024].

37 Department of Defence, *Product Life Cycle Guidance*, Version 3.3, Canberra, October 2022, pp. 100–101.

Project performance analysis

51. In addition to its limited assurance review, the ANAO has undertaken an analysis of the PDSSs. The three aspects of project performance analysed in this report were cost, schedule and the delivery of capability/scope.

52. As discussed in paragraph 35, Defence has decided to not publish certain information in 20 PDSSs (2022–23: 12). The not for publication information includes forecast dates, capability delivery information and variance information. The affected PDSSs are set out in Table S.2 and Table S.3.

53. In common with the MPRs since 2021–22, the 2023–24 report does not provide the same level of transparency and information for users compared to the 2020–21 MPR and prior years. The ANAO is in a position to publish aggregate analysis across the 2023–24 Major Projects on: total schedule slippage, average schedule slippage, and in-year schedule slippage (see Table S.7 and paragraph 35). This results from the increase in the number of PDSSs which have not disclosed a Final Operational Capability (FOC) forecast date — from nine in 2022–23 to 18 in 2023–24. The larger number of affected projects this year means that it is not possible to derive the ‘not for publication’ information for individual projects from the aggregate analysis.

54. A summary of the ANAO’s cost, schedule and capability/scope analysis is set out below and a detailed analysis is found in Chapter 2: Analysis of project performance.

Cost analysis

55. The first principal component of project performance examined in this report is cost management, which is an ongoing process in Defence’s administration of the Major Projects. Defence has reported that all 21 projects in this year’s MPR could continue to operate within the total approved budget of \$81.0 billion. The SRGB Air Defence, CMATS and Pacific Patrol Boat Repl projects drew upon contingency funds to complete project activities (see paragraph 1.81).

56. The total approved budget for the 21 Major Projects has increased by \$40.9 billion (74.4 per cent) since initial Second Pass Approval by government (2022–23: \$22.8 billion).

57. Budget variations greater than \$0.5 billion are detailed in Table S.4.³⁸

58. As the MPR focuses on the approved capital budget for Defence acquisition, the ongoing costs of project offices, training, replacement capability, and other sustainment factors, are not reported here.

59. Cost information was not affected by Defence’s decision to not publish certain information in 20 PDSSs this year.

Table S.4: Total Budget variations over \$0.5 billion — post initial Second Pass approval by variation type^{a b}

Project	Variation type	Explanation	Year	Amount (\$bn)
	Scope increases			34.5
Hunter Class Frigate		Second Pass Approval (Batch 1 Production)	2023–24	19.7

³⁸ Defence’s individual PDSSs also report on budget variations.

Project	Variation type	Explanation	Year	Amount (\$bn)
Joint Strike Fighter		58 additional aircraft at Stage 2 Second Pass Approval	2013–14	10.5
MQ-4C Triton		Second Pass Approvals Tranche 2 and 3	2019–20	0.9
		Second Pass Approval Tranche 4	2020–21	0.2
		Subsequent Government Approval (additional air vehicle and sustainment funding for first 7 years)	2022–23	0.3
Advanced Growler		Government Interim Pass Approval	2019–20	0.3
		Second Pass Approval for Tranche 1 acquisition and sustainment of mid-band capability and training range upgrades	2022–23	2.6
Real cost increases				0.7
Overlander Medium/Heavy		Project supplementation ^c (\$684.2m) and additional vehicles, trailers and equipment (\$28.0m) at Revised Second Pass Approval	2013–14	0.7
Other budget movements				0.2
Scope increase/budget transfers (net)		Other scope changes and transfers under \$0.5 billion for all remaining Projects	Various	0.2
Price Indexation — materials and labour (net) (to July 2010) ^d				0.4
Exchange Variation — foreign exchange (net) (to 30 June 2024)				5.0
Total				40.9^e

Note a: For the variations related to all Major Projects and their value, refer to Table 2.1 and Table 2.2 of this report. For the breakdown of in-year variation, refer to Table 2.1 of this report.

Note b: For Major Projects with multiple Second Pass Approvals, this table shows variations from the initial approval.

Note c: Defence has advised that 'project supplementation' is a unique term used to describe the approvals history of this project as follows: 'The original amount of \$2,549.2 million, was the Government decision to split Phase 3 into Phase 3A and 3B. In 2011, Government approved Second Pass approval of Phase 3A and the 'Interim Pass' Government approval for Phase 3B. The decision to grant Phase 3B 'Interim Pass' was to allow greater bargaining power for Defence while negotiating Phase 3A. Phase 3B was always going to return to Government for formal Second Pass approval, which occurred in July 2013, once contract negotiations were complete.'

Note d: Before 1 July 2010, projects were periodically supplemented for price indexation, whereas the allocation for price indexation is now provided for on an out-turned basis at Second Pass Approval.

Note e: Figures do not add precisely due to rounding.

Source: ANAO analysis of Defence's 2023–24 PDSSs.

Schedule analysis

60. Final Operational Capability (FOC) is the key milestone that forms the basis for the majority of the ANAO's schedule analysis, including aggregate analysis of total schedule slippage across projects, average schedule slippage across projects, and in-year schedule slippage across projects.

61. In 2023–24, a total of 18 of the 21 projects (85.7 per cent) (2022–23: nine projects, 45 per cent) either did not disclose the FOC forecast date in the PDSS (16 projects) or did not have a settled FOC date (two projects).³⁹

- Defence has decided to not publish FOC forecast dates in 16 PDSSs (2022–23: eight) (Joint Strike Fighter, Combat Reconnaissance Vehicles, ARH Replacement, Offshore Patrol Boats, Advanced Growler, Peregrine, Heavy Armoured Capability, MQ-4C Triton, IE Logistics Support Helicopter, SRGB Air Defence, JORN Mid-Life Upgrade, Battlefield Command System, Maritime Comms, Collins Comms and EW, Pacific Patrol Boat Repl, and ANZAC Air Search Radar Repl). This represents 76.2 per cent of all PDSSs.⁴⁰
- Two of the PDSSs did not include an FOC forecast date (2022–23: one). The Hunter Class Frigate project did not have an FOC milestone approved by government at 30 June 2024 and the Hawkei was in negotiations with contractors as a result of changes resulting from the Defence Strategic Review.⁴¹ This represents 9.5 per cent of all PDSSs.

62. In 2022–23 and 2023–24 as an increased number of projects did not disclose their FOC forecast date, the ANAO is able to publish information in aggregate as it would not disclose the individual Major Projects, which have not reported FOC forecast dates (see paragraph 35). The ANAO has provided a summary longitudinal analysis in relation to: total schedule slippage across the 21 projects, average schedule slippage across the projects, and in-year schedule slippage across the Major Projects (see Table S.7 on page 25).

63. At 30 June 2024, the aggregate schedule performance for the 21 Major Projects were as follows.

- Total schedule slippage was 442 months when compared to the initial schedule (2022–23: 453 months⁴²). This represents a 21 per cent increase since Second Pass Approval.
- Average schedule slippage per project was 25 months (2022–23: 25 months), representing a six per cent increase since Second Pass Approval.
- In-year schedule slippage totalled 96 months (2022–23: 101 months), representing a four per cent increase since Second Pass Approval, and a decrease of five months from the prior year.

64. Delivering Major Projects on schedule continues to present challenges for Defence. Schedule slippage can affect when the capability is made available for operational release and deployment by the ADF, as well as the cost of delivery.

65. Table S.5 provides details of in-year and total schedule slippage by project⁴³, except where Defence has indicated that project information is not for publication (NFP). For 2023–24, the

39 Defence defines FOC as: 'The capability state relating to the in-service realisation of the final subset of a capability system that can be employed operationally.'

40 As discussed in para. 17, the not for publication information was provided to the ANAO for review.

41 Australian Government, *National Defence: Defence Strategic Review 2023*, Commonwealth of Australia, Canberra, 2023, available from <https://www.defence.gov.au/about/reviews-inquiries/defence-strategic-review> [accessed 16 October 2024].

42 The Battlefield Command System (LAND200 Tranche 2) was excluded from this analysis due to the Auditor-General's Qualified Conclusion, see the *Independent Assurance Report* in **Part 3** of the 2022–23 report.

43 See Mr Hehir's statement on the importance and use of aggregate schedule information in his advice to the *JCPAA Report 483: Inquiry into the 2018–19 Defence Major Projects Report and the Future Submarine Project - Transition to, Public Hearing*, 27 May 2020, p. 5.

in-year schedule slippage across the 21 Major Projects was four per cent, which represents a decrease of one per cent from 2022–23.⁴⁴

Table S.5: In-year and total schedule slippage^a from original planned Final Operational Capability milestone

Project	In-year (months)	Total (months)
Hunter Class Frigate ^b	TBD	NFP
Joint Strike Fighter	NFP	TBD
Combat Reconnaissance Vehicles	NFP	NFP
ARH Replacement	NFP	NFP
Offshore Patrol Vessel	NFP	NFP
Advanced Growler ^{c d}	NFP	NFP
Overlander Medium/Heavy	0	0
MQ-4C Triton	NFP	NFP
Peregrine	NFP	NFP
Heavy Armoured Capability	NFP	NFP
Hawkei	TBA	TBA
IE Logistics Support Helicopters	NFP	NFP
JORN Upgrade	NFP	NFP
SRGB Air Defence	NFP	NFP
CMATS	30	87
Battlefield Command System	NFP	NFP
Battle Comm. Sys. (Land) 2B	6	42
Collins Comms and EW	NFP	NFP
Pacific Patrol Boat Repl	NFP	NFP
Maritime Comms	NFP	NFP
ANZAC Air Search Radar Repl	NFP	NFP
Total (months)	96	442
Total (per cent)	4%	21%

Note a: Slippage refers to a delay in the current forecast date compared to the original government approved date of FOC. These figures exclude delays to a project's schedule that do not result in slippage past the original government approved date, and schedule reductions over the life of the project.

Note b: This project had no FOC capability milestone approved by government at 30 June 2024.

Note c: This project's FOC milestone had not been approved by government at 30 June 2024. The MPR analysis has referred to the current final scheduled operational milestone for this project (Tranche 1 Operational Capability 2). It is anticipated that subsequent government approvals will introduce new operational capability milestones including an FOC milestone.

Note d: This project has reported its slippage in months but has not reported the Original Planned and Current Planned dates for its final milestone. The non-publication of these dates, while publishing a slippage figure, means that this project is reported on individually in some parts of the ANAO's analysis and not in other parts.

Source: ANAO analysis of the 2023–24 Defence PDSSs.

44 Of the four per cent in-year schedule slippage, 37.5 per cent is published with the remaining slippage related to the projects where FOC forecast dates were not disclosed.

66. Since 2007–08, MPRs have reported that the management of platform availability has contributed to slippage in some projects.⁴⁵

67. Projects with developmental content have continued to experience delays. These projects are MQ-4C Triton, CMATS, and Battle Comm. Sys. (Land) 2B.⁴⁶

68. The MPR includes ANAO analysis relating to each project's Acquisition Categorisation (ACAT) level, as reported by Defence.⁴⁷ The analysis indicates that since 2013 there has been an increase in the number of projects at the more complex ACAT I and ACAT II levels. ACAT I projects carry a higher level of technical risk.

Capability/scope analysis

69. The third principal component of project performance examined in this report is progress towards the delivery of capability as approved by government. While the measures of Materiel Capability / Scope Delivery Performance disclosed in 4.1 of each PDSS is excluded from the scope of the limited assurance review, it is included in this ANAO analysis to provide further perspective on project performance.

70. The Hunter Class Frigate PDSS does not report quantified capability/scope information as this project did not have approved materiel capability/scope to be delivered at 30 June 2024. This project instead reports narratives describing its current project activities.

71. In 2023–24, the aggregated PDSSs reporting in Section 4.1 Measures of Materiel Capability/Scope Delivery Performance was as follows.

- Represented as 'green'⁴⁸: 12 projects (57 per cent) report they will deliver all capability/scope requirements (2022–23: nine). This represents an increase of 12 per cent from the prior year.
- Represented as 'amber'⁴⁹: Four projects (19 per cent) report they have experienced challenges with expected capability/scope delivery (2022–23: five). This represents a decrease of six per cent from the prior year. The projects were: Offshore Patrol Vessel, MQ-4C Triton, Peregrine and Battlefield Command System.
- Represented as 'red'⁵⁰: Five projects (24 per cent) report they are unable to deliver all the required capability/scope by FOC (2022–23: six). This represents a decrease of six per cent from the prior year. The projects were: Offshore Patrol Vessel, Hawkei, Overlander

45 Since the 2007–08 MPR, Defence has advised the ANAO that platform management may be done in response to operations and the strategic environment, and in certain circumstances platform unavailability may be unavoidable.

46 Auditor-General Report No.14 2023–24 2022–23 *Major Projects Report*, ANAO, Canberra, 2024, para. 64, available from <https://www.anao.gov.au/work/major-projects-report/2022-23-major-projects-report> [accessed 17 October 2024].

47 Defence broadly categorises project acquisition complexity into four levels of ascending risk from ACAT I, which is characterised by very high levels of complexity and technical risk to ACAT IV, which has low levels of complexity. The complexity of a project may vary over its life cycle. See para. 2.40.

48 The 2023–24 MPR Guidelines under Section 4.1 state that 'Green – high level of confidence the capability outcome will be met'.

49 The 2023–24 MPR Guidelines under Section 4.1 state that 'Amber – capability outcome under threat but still considered manageable and able to be met'.

50 The 2023–24 MPR Guidelines under Section 4.1 state that 'Red – at this stage, the capability outcome is unlikely to be fully met or where a project's materiel capability/scope is amended, and the change represents a reduction (including transfers to other Defence projects or capabilities) in materiel capability/scope'.

Medium/Heavy, Battle Comm. Sys. (Land) 2B and Battlefield Command System. (See Table 2.5)

- Represented as ‘blue’⁵¹: One project (0.5 per cent) (Pacific Patrol Boat Repl.) reports an increase in project materiel capability/scope delivery (2022–23: one). This represents similar percentages to the prior year.⁵²

72. Table S.6 summarises the percentage of capability/scope Defence expects will be delivered by the Major Projects. The assessment is at 30 June 2024, as reported by Defence.⁵³

Table S.6: Capability/scope delivery

Expected capability/scope — percentage (Defence reporting)	2021–22 MPR (%)	2022–23 MPR (%)	2023–24 MPR (%)
High confidence (Green)	87	94	94.5
Under threat, considered manageable (Amber)	10	1	1.4
Unlikely or removed from scope (Red)	3	6	3.6
Added to scope (Blue)	0 ^a	0 ^b	0.5
Total	100^c	100^{c d e}	100^c

Note a: In this year Pacific Patrol Boat Repl delivered an additional element of capability/scope at FOC (which equated to approximately five per cent of project scope). Across all the Major Projects this percentage rounded to zero per cent.

Note b: In this year ANZAC Air Search Repl delivered an additional element of capability/scope at FOC (which equated to approximately 0.1 per cent of project scope). Across all the Major Projects this percentage rounded to zero per cent.

Note c: The Hunter Class Frigate and Future Subs projects are excluded from this analysis, as their capability/scope delivery was not quantified in these years (Future Subs was reported in 2021–22 only).

Note d: In the 2022–23 Major Projects Report, the Battlefield Command System (LAND200 Tranche 2) was excluded from this analysis due to the Auditor-General’s Qualified Conclusion, see paragraphs 2.8 to 2.9 and the Independent Assurance Report in **Part 3** of that report.

Note e: Figures do not add precisely due to rounding.

Source: Defence PDSSs in Major Projects Reports and ANAO analysis.

73. In addition to reporting on expected capability/scope delivery, Defence has continued the practice of including in the PDSS information (except for certain projects discussed in Table S.3) on contractual remedies for projects, including stop payments and liquidated damages.⁵⁴ Details on application of contractual remedies are discussed at paragraph 2.33.

51 The 2023–24 MPR Guidelines under Section 4.1 state that ‘Blue – where a project’s materiel capability/scope is amended and the change represents an increase (including transfers from other Defence projects or capabilities) of materiel capability/scope’.

52 Both the 2022–23 (ANZAC Air Search Repl.) and 2023–24 (Pacific Patrol Boat Repl.) MPR include one project disclosing blue scope, however due to rounding the two years differ by one per cent in Table S.6.

53 Defence did not publish certain information relating to the reasons for the ‘amber’ assessment in the MQ-4C project. The capability/scope percentage assessments were not affected by this decision.

54 In 2023–24, three projects enforced stop payments or liquidated damages: Offshore Patrol Vessel, Hawkei and Battlefield Command System.

Summary longitudinal analysis

Summary analysis — 2021–22 to 2023–24

74. Table S.7 summarises published PDSS data on Defence’s progress toward delivering the capabilities for the Major Projects covered in this 2023–24 report. The table compares current data with that reported in the two prior editions of the MPR (2021–22 and 2022–23).

Table S.7: Summary longitudinal analysis 2021–22 to 2023–24^a

	2021–22 MPR	2022–23 MPR	2023–24 MPR
Schedule and cost performance			
Number of Projects	21	20	21
Total Approved Budget at 30 June	\$59.0 bn	\$58.6 bn	\$81.0 bn
Total Approved Budget at final Second Pass Approval	\$56.8 bn	\$54.0 bn	\$75.5 bn
Total Expenditure Against Total Approved Budget	\$34.6 bn (58.7%)	\$34.4 bn (58.7%)	\$35.4 bn (43.7%)
Total In-year Expenditure Against In-year Budget	\$5.7 bn (96.2%)	\$4.2 bn (98.0%)	\$4.5 bn (94.2%)
Total Budget Variation since initial Second Pass Approval ^b	\$17.5 bn (29.7%)	\$22.8 bn (39.0%)	\$40.9 bn (74.4%)
Total Budget Variation since final Second Pass Approval ^c	\$2.2 bn (3.9%)	\$4.6 bn (7.8%)	\$5.49 bn (13.4%)
In-year Approved Budget Variation	-\$0.7 bn (-1.2%)	\$4.3 bn (7.9%)	\$19.9 bn (32.6%)
Total Schedule Slippage^{d,m}	● ^e	453 months (23%)	442 months (21%)
Average Schedule Slippage across Projects^m	● ^e	25 months (6%)	25 months (6%)
In-year Schedule Slippage^m	● ^e	101 months (5%)	96 months (4%)
Risks, issues, and capability/scope^m			
Total Reported Risks and Issues ^{f,g}	114	88	71
Expected Capability/scope (Defence Reporting) ^{h,i}	87%	94%	94.5%
• High level of confidence of delivery (Green)			
• Under threat, considered manageable (Amber)	10%	1%	1.4%
• Unlikely to be met or removed from scope (Red)	3%	6%	3.6%
• Added to scope (Blue)	0% ^j	0% ^{k,l}	0.5%

Refer to paragraph 35 in **Part 1** of this report.

Note a: The Major Projects included in each MPR will differ, based on entry and exit criteria in the Guidelines endorsed by the JCPAA, which are in **Part 4** of this report. The entry and exit of projects should be considered when comparing data across years.

Note b: See Table S.4 for a breakdown of the major components of this variance and Table 2.1 for all real variations.

- Note c: Where a project has multiple Second Pass Approvals, the budget at Second Pass Approval reported in the header refers to the total budget in the final Second Pass Approval. The figures in this row use this methodology.
- Note d: Slippage refers to a delay in the current forecast date compared with the original government approved date of FOC. Slippage can occur due to late delivery, increases in scope or at times can be a deliberate management decision.
- Note e: The ANAO was unable to publish this analysis in 2021–22 due to the non-publication by Defence of FOC information in three PDSSs and because four projects did not have approved FOC dates.
- Note f: The grey section of the table is excluded from the scope of the ANAO's priority assurance review, due to a lack of Defence systems from which to obtain complete and accurate evidence in a sufficiently timely manner to facilitate the ANAO's review.
- Note g: The figures represent the combined number of open 'high' and 'very high' risks and issues reported in the PDSSs across all projects. Risks and issues may be aggregated at a strategic level.
- Note h: These figures represent the average predicted capability/scope delivery across the Major Projects. This method reduces the effect of an individual project's size on the aggregate figure.
- Note i: The Hunter Class Frigate and Future Subs projects are excluded from this analysis, as their capability/scope delivery was not quantified in these years (Future Subs was reported in 2021–22 only).
- Note j: In 2023–24, Pacific Patrol Boat Repl delivered an additional element of capability/scope at FOC, which equated to approximately five per cent of project scope. This percentage was rounded to zero per cent when compared across all the Major Projects.
- Note k: In 2023–24, ANZAC Air Search Radar Repl delivered an additional element of capability/scope at FOC, which equated to approximately 0.1 per cent of project scope. This percentage was rounded to zero per cent when compared across all the Major Projects.
- Note l: Figures do not add precisely due to rounding.
- Note m: In 2022–23 the data pertaining to the Battlefield Command System (LAND200 Tranche 2) was excluded from this analysis due to the Auditor-General's Qualified Conclusion, see paragraphs 2.8 to 2.9 and the *Independent Assurance Report* in **Part 3** of that report.
- Source: ANAO analysis of PDSSs across multiple years.

1. The Major Projects review

1.1 The Major Projects Report (MPR) contains Department of Defence (Defence) information and commentary on a selection of its major acquisition projects (Major Projects) and independent assurance and analysis of that information by the Australian National Audit Office (ANAO). This chapter provides the ANAO's overview of the scope and approach adopted for its limited assurance review of the 21 Project Data Summary Sheets (PDSSs) prepared by Defence for the 2023–24 MPR. The chapter also includes information and commentary on developments in Defence's acquisition governance processes, based on the ANAO's review.

Review scope and approach

1.2 In 2012, the Joint Committee of Public Accounts and Audit (JCPAA) identified the ANAO's review of Defence PDSSs as a *priority assurance review*, under subsection 19A(5) of the *Auditor-General Act 1997* (the Act). This provided the ANAO with full access to the information gathering powers in the Act. The ANAO's review of the individual PDSSs, which are included in **Part 3** of the MPR, was conducted in accordance with the *ANAO Auditing Standards* set by the Auditor-General under section 24 of the Act. These standards incorporate the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Australian Auditing and Assurance Standards Board.

1.3 The following forecast information provided by Defence is excluded from the scope of the ANAO's review: Sections 1.2 and 4.1 — Current status and Measures of Materiel Capability/Scope Delivery Performance; Sections 1.3 and 5 — Major Risks and Issues; Section 2.4 - Australian Industry Capability (AIC); and forecast dates where included. These exclusions are due to deficiencies in Defence systems from which to provide complete and/or accurate evidence, in a sufficiently timely manner to complete the review. Accordingly, the *Independent Assurance Report* by the Auditor-General does not provide assurance in relation to this information. However, where material inconsistencies between the information disclosed in these excluded sections and the ANAO's understanding from performing review procedures on the in-scope information are identified, the Auditor-General's conclusion is qualified.

1.4 The ANAO's review procedures are sufficient and appropriate for the purpose of providing an *Independent Assurance Report* in accordance with the *ANAO Auditing Standards*. Review procedures performed on individual PDSSs are designed to provide limited assurance. These procedures are not as extensive, in terms of the extent of evidence required, as those performed in performance audits, performance statement audits and financial statement audits conducted by the ANAO, which provide reasonable assurance. The level of assurance provided by this review, in relation to the 21 major Defence equipment acquisition projects, is less than that provided by the ANAO's program of performance, financial statements and performance statements audits.⁵⁵

1.5 In addition to the assurance review, the ANAO considers developments in Defence's acquisition governance processes (information and commentary on Acquisition governance appears in this chapter) and undertakes analysis of Defence's PDSSs (information and commentary

55 The ANAO did not conduct a performance statements audit of Defence in 2023–24. The annual performance statements audit program for 2024–25 was updated to include Defence at the request of the Minister for Finance on 2 July 2024. Australian National Audit Office, Annual performance statements audits, available from <https://www.anao.gov.au/work-program/annual-performance-statements-audits> [accessed 15 November 2024].

on systemic issues, and in-year and longitudinal analysis for the Major Projects, appears in Chapter 2: Analysis of project performance). This commentary and analysis is provided for information and does not constitute a review or audit and is not intended to provide assurance.

1.6 The ANAO's review was conducted in accordance with the *ANAO Auditing Standards* at a cost to the ANAO of approximately \$2.1 million.

Review methodology

1.7 The ANAO's review of the information presented in the individual PDSSs included:

- examining relevant internal systems, processes and internal controls, including governance and assurance mechanisms such as audit and other oversight committees that support the development of the *Statement of the Secretary of Defence* and the PDSSs;
- reviewing documents, holding meetings with Defence personnel and conducting analysis to assess the presentation of the PDSSs;
- considering industry contractor comments provided on draft PDSS information;
- examination of representations by Defence to support the Lessons Learned narratives included in Section 6 of the PDSS;
- analysis of project information, cost, Australian Industry Capability (AIC), schedule, progress towards delivery of required capability, risks and issues, lessons learned, and longitudinal analysis across these key elements of the Major Projects over time;
- assessing the assurance provided by Defence senior management attesting to the accuracy and completeness of the PDSSs;
- examination of representations by the Chief Finance Officer supporting the project financial assurance and contingency statements;
- examination of representations by the Vice Chief of the Defence Force (VCDF) supporting the non-disclosure of information for publication after security review;
- examination of confirmations, provided by the Capability Managers, relating to each project's progress toward Initial Materiel Release (IMR), Final Materiel Release (FMR), Initial Operational Capability (IOC) and Final Operational Capability (FOC); and
- examination of the *Statement by the Secretary of Defence*, including significant events occurring post 30 June 2024, and management representations by the Secretary of Defence.

1.8 The ANAO's review of PDSSs also focused on project management and reporting arrangements contributing to the overall governance of the Major Projects. The ANAO considered:

- resolution of matters described in the 2022–23 Auditor-General's *Independent Assurance Report* relating to the LAND200 Tranche 2 Battlefield Command System PDSS⁵⁶;
- developments in acquisition governance (see paragraphs 1.17 to 1.108);
- the financial framework, particularly as it applies to the project financial assurance and contingency statements (see Section 2 of the PDSSs);

56 The Auditor-General provided a Qualified Conclusion due to the material inconsistencies identified between disclosures and evidence relating to schedule performance, capability/scope delivery, forecast information, and other related projects as reported in the Battlefield Command System PDSS. See Auditor-General Report No.14 2023–24 *2022–23 Major Projects Report*, para. 28 and pp. 127 to 132.

- schedule management and test and evaluation processes (see Section 3 of the PDSSs);
- declaration of exceptions (caveats or deficiencies) to materiel capability/scope (see paragraphs 1.105 to 1.110);
- the Defence Risk Management Framework, and the completeness and accuracy of major risks and issues data (see Section 5 of the PDSSs);
- the Defence Lessons Repository, CASG Lessons Program, and the completeness and accuracy of lessons learned data within the system (see Section 6 of the PDSSs); and
- the impact of acquisition issues on sustainment to ensure the PDSS is a complete and accurate representation of the acquisition project.

1.9 The ANAO also considered whether there were any material inconsistencies between the information disclosed in the sections outside the scope of the review and the ANAO's understanding from performing review procedures on the in-scope information.

Project Data Summary Sheets

Preparation and review processes

1.10 A quality PDSS preparation process by Defence will reduce the risk of untimely and/or inaccurate reporting and will reduce the incidence of multiple reviews for the same project.

1.11 As part of the MPR process, Defence's PDSS preparers receive guidance on expectations and have three⁵⁷ opportunities (in most instances) to refine the PDSSs before the ANAO finalises its assurance review. The ANAO and Defence MPR team conduct educative activities, including visits, with Major Project teams in the pre-30 June period⁵⁸ to promote awareness of the MPR Guidelines and mitigate errors and quality issues in Defence's PDSS preparation. For the 2023–24 MPR, the ANAO completed its first assessment of the PDSSs in the pre-30 June period and the final two assessments in the post-30 June period, as agreed with Defence.⁵⁹

1.12 Defence's enhancement of its internal management methodology and quality assurance approach for the MPR has involved the use of standardised PDSS templates, the creation of some standardised financial reports and the continued development of internal guidance materials for projects preparing their individual PDSSs. Ongoing quality issues relating to Defence's preparation of PDSSs as required by the MPR Guidelines, following the ANAO's assessment of the first versions

57 The Defence Major Projects Report (MPR) – Terms of the 2023–24 *Priority Assurance Review Engagement* Letter, dated 21 March 2024, set out expectations ensuring that internal controls enable three versions of the PDSS to be provided to the ANAO for review (page 3 of Attachment A in the letter).

58 PDSSs report on predicted project status at 30 June 2024.

59 The ANAO assessed the 21 PDSSs through three key milestones, between March and October 2024. The milestones were:

- 1) preliminary ANAO assessment of initial draft and first PDSSs by 6 August 2024, to support Defence's preparation of PDSSs for the ANAO's assurance review;
- 2) second ANAO assurance review of PDSSs between August and October 2024; and
- 3) third and final ANAO assurance review of PDSSs, in the week following the second review, between August and October 2024.

The Defence Major Projects Report (MPR) – Terms of the 2023–24 *Priority Assurance Review Engagement* Letter, dated 21 March 2024, set out expectations regarding Defence's preparation of quality assured evidence packs, which should include a complete and accurate PDSS, in addition to copies of relevant supporting evidence.

of the PDSSs, were identified and documented in an Interim Management Letter provided to Defence on 2 September 2024.

1.13 Quality issues included instances where evidence packs were incomplete⁶⁰ and inappropriately mapped⁶¹, sections of the PDSSs were not updated to reflect current year content⁶², and use of obsolete PDSS templates.⁶³ These issues related to elements of financial data, schedule milestone dates, quantities of materiel, risks and issues and lessons learned.

1.14 The ANAO advised Defence of the material errors and quality issues it identified in the PDSSs following the review of PDSS version one and version two. This process continued for a selected number of PDSSs after what was intended to be the ANAO's third and final review of the PDSSs.⁶⁴ This has informed the ANAO's assurance review and the Auditor-General's conclusion (see the *Independent Assurance Report* found in **Part 3** of this report).

1.15 Efficiencies could be gained through Defence process and system standardisation⁶⁵, including the development and generation of standard reports from Defence's Financial Management and Information System (FMIS), Enterprise Resource Planning system (ERP) as it is implemented, Predict! (the Defence risk management system), the Defence Lessons Repository and continued engagement and review by Defence leaders.

Defence reporting in PDSSs — lessons learned and non-disclosures

1.16 The MPR Guidelines require PDSSs to include information on project lessons (at the strategic level) that have been learned. Projects are to state whether 'systemic lessons' have been identified. The Auditor-General's *Independent Assurance Report* in respect of the 2022–23 MPR included a Qualified Conclusion on the basis that information on Lessons Learned disclosed in Section 6 of the PDSSs did not satisfy the requirements of the MPR Guidelines and was materially inconsistent with evidence obtained by the ANAO.⁶⁶

1.17 In its review of the 2023–24 MPR, the ANAO examined the Defence Lessons Repository (the DLR), which predominantly stores and maintains lessons learned to be incorporated into future policy and practice. The ANAO has determined that it is not able to rely on the DLR to gain assurance over lessons learned due to deficiencies in processes. Defence has disclosed 74 project level lessons

60 MPR Guidelines, para. 1.21.

61 MPR Guidelines, para. 1.26.

62 MPR Guidelines, para. 1.8.

63 MPR Guidelines, para. 1.9 (d) and pp. 22 to 27.

64 Sixteen PDSSs required additional review after the third ANAO assessment due to outstanding material issues, which were subsequently resolved. The projects were: Joint Strike Fighter; Hunter Class Frigate; Combat Reconnaissance Vehicles; Offshore Patrol Vessel; Overlander Medium/Heavy; Advanced Growler; Peregrine; Heavy Armoured Capability; Hawkei; SRGB Air Defence; JORN Mid-Life Upgrade; CMATS; Battlefield Command System; Battle Comm. Sys. (Land) 2B; Collins Comms and EW; and ANZAC Air Search Radar Repl.

65 For example, Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Report 503: Inquiry into the Major Projects Report 2020–21 and 2021–22 and procurement of Hunter Class Frigates*, (2024), para. 2.22, which states:

'... that as Defence's project management systems and software continue to mature and improve then there should be further efficiencies to be gained by increasing the amount of automation of the preparation of the PDSSs and reducing the administrative overheads on Defence.'

66 Defence advised the ANAO on 26 July 2023 that it did so to align its PDSS reporting with an internal Defence policy. The requirement is for PDSSs to be prepared against the MPR Guidelines endorsed by the Parliament's Joint Committee of Public Accounts and Audit (JCPAA).

in PDSSs and is unable to demonstrate why these lessons were categorised as strategic lessons compared with other lessons in the DLR.

1.18 As summarised in paragraphs 27 to 30 and 1.15, the Auditor-General has expressed a Qualified Conclusion in the *Independent Assurance Report* (found in **Part 3** of this report), on the basis that due to deficiencies in Defence's processes over lessons learned, the ANAO is unable to obtain sufficient appropriate audit evidence to conclude whether the disclosure of the lessons learned in the PDSSs is in accordance with the requirements of the Guidelines.

1.19 Defence advised the ANAO on 5 December 2024 of its decision that certain information is not for publication (NFP) and has not been included in the relevant PDSSs for 20 projects, similar to the prior two MPRs. The NFP information includes forecast dates, capability delivery information and variance information. The affected PDSSs are set out in Table S.2 and Table S.3. Commentary provided by the Secretary of Defence on this matter is reproduced at paragraphs 21 to 22.

Acquisition governance

1.20 Consistent with prior years, the ANAO considered Defence's Major Project acquisition governance processes when planning and conducting the review for the 2023–24 MPR. While some of these processes are now established, others continue to mature or require further development to achieve their intended impact.

Defence Independent Assurance Reviews

1.21 The Defence Independent Assurance Review (IAR) process provides the Defence Senior Executive with assurance that projects and products will deliver approved objectives and are prepared to progress to the next stage of activity. These management-initiated reviews consider a project's status while sufficient time remains for corrective action to be implemented.⁶⁷

1.22 IARs are intended to commence at project initiation and are conducted through to FOC; for higher-complexity projects, ideally on an annual basis. They are an important input to key acquisition and sustainment decision points or milestones.⁶⁸

1.23 During 2023–24, 18 of the 21 Major Projects (2022–23: 13) had completed an IAR.⁶⁹

Projects of Concern and Projects of Interest

1.24 The Projects of Concern (POC) process is intended to manage:

...the remediation of underperforming projects. This is achieved through close collaboration and high engagement with senior Defence and industry partner management, led by the Minister for

67 Department of Defence, *Independent Assurance Reviews for Programs, Projects and Products*, Defence, Canberra, 2020, p. 5 and p. 12. Although referred to by Defence as 'assurance' reviews, these administrative reviews are not carried out within frameworks issued by the Australian Auditing and Assurance Standards Board.

68 Department of Defence, *Independent Assurance Reviews for Programs, Projects and Products*, Defence, Canberra, 2020.

69 An IAR was considered completed by the ANAO when all parties had signed the outcomes of the review. IARs were not completed during 2023–24 for: Offshore Patrol Vessel IAR not conducted while project is being managed as a POC and the impact of the [Independent analysis of Navy's surface combatant fleet](#) is formalised, SRGB Air Defence IAR conducted in August 2024 and Battlefield Command System IAR conducted in May 2024 but not finalised by 30 June 2024.

Defence Industry, to agree and implement a plan to resolve significant commercial, technical, cost and/or schedule difficulties.⁷⁰

1.25 Similarly, there is a related Projects of Interest (POI) process where projects are monitored internally by Defence to ‘ensure issues are remediated and that the project does not progress to a POC’.⁷¹ Formal monitoring of POIs commenced in July 2016. Prior to this time, POIs were referred to as ‘underperforming projects’.

1.26 Table 1.1 outlines the two MPR projects classified as a POC (2022–23: 2) and seven MPR projects classified as POI (2022–23: 4).

Table 1.1: 2023–24 MPR Projects of Concern and Interest

Project of Concern	Project of Interest
AIR 5431 Phase 3 CMATS	SEA 5000 Phase 1 Hunter Class Frigates
SEA 1180 Phase 1 Offshore Patrol Vessel	AIR 6000 Phase 2A/2B Joint Strike Fighter
–	LAND 400 Phase 2 Combat Reconnaissance Vehicles
–	AIR 555 Phase 1 Peregrine
–	AIR 2025 Phase 6 JORN Mid-Life Upgrade
–	LAND 121 Phase 4 Hawkei
–	LAND 200 Tranche 2 Battlefield Command System

Source: Defence Ministerial Reporting on Projects of Concern and Interest at 30 June 2024.

Projects of Concern (POC)

1.27 At 30 June 2024, there are two MPR projects classified as POC: Civil Military Air Management System (CMATS) and Offshore Patrol Vessel (2022–23: 2) (see Table 1.1). The Minister for Defence Industry⁷² conducts POC summits as part of the governance process to discuss remediation issues for listed POC.⁷³ The target date for convening an initial POC summit is within four months of being classified as a POC, and subsequent meetings are scheduled by the Minister for Defence Industry based on advice from Defence.⁷⁴

1.28 During 2023–24, three POC summits were held.

- September 2023 — to discuss the OneSKY-CMATS project.
- December 2023 — one to discuss the OneSKY-CMATS project and one for the Offshore Patrol Vessel project.

70 Department of Defence, *Defence Annual Report 2022–23*, Chapter 7, Asset Management, Defence, Canberra, 2021, p. 136.

71 Department of Defence, *Delivery Group Performance Management and Reporting, and Management of Projects and Products of Interest and Concern*, V1.1, Defence, October 2023, p. 14, para. 36.

72 At 29 July 2024, the title for Minister of Defence Industry was changed to Minister for Defence Industry and Capability Delivery, available from <https://www.pmc.gov.au/resources/ministry-list-29-july-2024#defence> [accessed 9 December 2024].

73 Attendees at POC summits are senior stakeholders from government and industry for the specific projects. Summits are generally held six monthly.

74 Department of Defence, *Capability Acquisition and Sustainment Group, Delivery Group Performance Management and Reporting, and Management of Projects and Products of Interest and Concern*, Canberra, 2023.

1.29 The CMATS project was classified as a POC and placed on the list between August 2017 and May 2018 due to protracted negotiations leading to a delay in entering the contract. Following contract signature, CMATS was managed as a POI until October 2022⁷⁵ when it was returned to the POC list as it continued to experience schedule delays for its agreed milestones, and the contractor had not provided authoritative forecast dates for system acceptance milestones.

1.30 Following the March 2023 POC Summit, a remediation plan was agreed to by Defence, Airservices Australia⁷⁶ and the contractor, which focused on simplified software development, test and deployment, and mitigated some of the challenges encountered by the contractor. This culminated in a nil-cost contract change proposal, which was executed on 20 December 2023.

1.31 In September 2023, parties agreed on milestones to be achieved before the end of the year, including the integrated master schedule that supports understanding the schedule and cost of the revised delivery pathway.⁷⁷

1.32 At the December 2023 POC summit, it was agreed that a contract change proposal and an integrated master schedule for the project would be finalised by early 2024.⁷⁸

1.33 On 8 July 2024, the Minister for Defence made a statement that the ‘summit discussed the integrated master schedule, completion of a test readiness review and commencement of software testing. All parties agreed to continue executing the agreed remediation plan through a set of regular milestones.’⁷⁹ Another summit was held on 26 November 2024.⁸⁰

1.34 Implementation of the revised CMATS deployment strategy has impacted government approved IOC and FOC dates. The CMATS PDSS Schedule Performance (**Part 3** of the MPR) advises the project will seek government endorsement following evidence of the contractor’s performance against the revised delivery plan.

1.35 The CMATS PDSS Project Financial Assurance Statement (**Part 3** of the MPR) notes that:

...there is insufficient budget remaining including contingency, for the project to complete, taking into account changes that resulted from the implementation of the Project of Concern (POC) remediation plan.

1.36 The Offshore Patrol Vessel (OPV) project was classified as a POC on 20 October 2023 due to delays to the construction of all ships and the associated support system. In 2024, the government directed an independent analysis⁸¹ to assess the Royal Australian Navy’s surface combatant fleet capacity and released the report on the *Enhanced Lethality Surface Combatant Fleet: Independent analysis of Navy’s surface combatant fleet*. It recommended that the OPV project be reduced from

75 CMATs was classified as a POC 13 months after the Minister for Defence’s written direction.

76 Airservices Australia is the lead procurement agency for the CMATS project and delivers to Defence via an On-Supply Agreement.

77 Minister for Defence Industry, ‘Projects of concern summit held in Canberra’, media release, Parliament House, Canberra, 27 September 2023.

78 Minister for Defence Industry, ‘Civil Military Air Traffic Management System Projects of Concern Summit’, media release, Parliament House, Canberra, 8 December 2023.

79 Minister for Defence Industry, ‘Projects of Concern Summit held in Canberra’, media release, Parliament House, Canberra, 8 July 2024.

80 Minister for Defence Industry and Capability Delivery, ‘Projects of Concern Summit held in Canberra’, media release, Parliament House, Canberra, 26 November 2024.

81 Department of Defence, *Enhanced Lethality Surface Combatant Fleet, Independent Analysis of Navy’s Surface Combatant Fleet*, Canberra, 2024, available from https://www.defence.gov.au/sites/default/files/2024-02/Enhanced_Lethality_Surface_Combatant_Fleet_web.pdf [accessed 23 October 2024], p. 3.

12 to six ships.⁸² The government announced this reduction on 20 February 2024.⁸³ Defence and the contractor have committed to working collaboratively to resolve the challenges experienced and have committed to a POC remediation plan. Implementation of the revised plan will impact government approved IOC and FOC dates.

Projects of Interest (POI)

1.37 At 30 June 2024, seven MPR projects were considered POIs (2022–23: 4): Hunter Class Frigates⁸⁴; Joint Strike Fighter; Combat Reconnaissance Vehicles; Peregrine; Hawkei; JORN Mid-Life Upgrade; and Battlefield Command System (see Table 1.1).

- Hunter Class Frigates since March 2020 due to significant schedule, technical, workforce and cost challenges.
- Joint Strike Fighter since June 2017 due to its importance and issues identified that could impact achievement of Initial Operational Capability (IOC). Although IOC was declared on schedule in December 2020, the project remains a Project of Interest due to its size and complexity.
- Combat Reconnaissance Vehicles since June 2024 due to the complexity associated with the parallel delivery of LAND 400 Phase 2 and the Boxer Heavy Weapon Carrier Export project, together with ongoing schedule pressure on LAND 400 Phase 2 to achieve its Final Operational Capability milestone.
- Peregrine since September 2023 due to schedule delays to the aircraft flight test program.
- Hawkei from December 2018 to May 2021 and then again in July 2023 due to an inability to resolve the brake issue and lift the operating restrictions across the wider ADF fleet. There is also a critical shortage of Hawkei spare parts, including transparent armour (windscreens), engine and brake components, which is compounded by long lead-times. This created significant risk to the FOC milestone.
- JORN Mid Life Upgrade since September 2019 due to delays to engineering design milestones. These delays were unrecoverable and affected the original schedule to Initial and Final Materiel Release.
- Battlefield Command System since September 2018 due to issues associated with vehicle integration and realisation of risks resulting in the request to access contingency funding.

Governance for POC and POI

1.38 The governance of Defence's POC and POI processes has been considered by the JCPAA on a number of occasions.

82 Defence, *Enhanced Lethality Surface Combatant Fleet*, p. 18.

83 Minister for Defence, Minister for Defence Industry, joint media release, <https://www.minister.defence.gov.au/media-releases/2024-02-20/navys-enhanced-lethality-surface-combatant-fleet> [accessed 14 November 2024].

84 Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Report 503: Inquiry into the Major Projects Report 2020–21 and 2021–22 and procurement of Hunter Class Frigates*, (2024), Recommendation 3 which states that the Department of Defence provide it with an update in 12 months on the progress of the Hunter Class Frigate project, including the industry capability uplift and a value for money assessment.

1.39 The JCPAA considered acquisition governance issues during its *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*.⁸⁵ As discussed in paragraph 36, the Committee recommended that⁸⁶:

... the Department of Defence updates internal governance to require decisions for projects to enter the Projects of Interest or Projects of Concern list be actioned in a timely manner, taking no more than three months between decision and implementation.

1.40 The JCPAA followed-up on Recommendation 2⁸⁷ in its June 2023 interim report on the MPR and made the following observations on governance issues.

- In October 2022, the Minister for Defence announced that the government would strengthen the POI process and that in March 2023, Defence had released the ‘Delivery Group Performance Management and Reporting, and Management of Projects of Interest and Concern Policy’ in direct response to this announcement.
- The policy provided guidance on the identification of, and response to, underperformance, through a tiered system of elevation, enabling timely advice to the relevant decision makers, and the prompt remediation planning for projects and products.
- Defence had confirmed that this new policy framework formalised the entry and exit processes for POC and POI.
- A Defence submission to the inquiry on the implementation of Recommendation 2 stated that Defence considered no further action was required to implement the recommendation due to the revised POI policy.⁸⁸

1.41 In October 2023, Defence updated its policy *Delivery Group Performance Management and Reporting, and Management of Projects and Products of Interest and Concern*.⁸⁹ This policy outlines performance measures and risk categories that may be used to monitor performance when considering placing a project on the POI or POC list, but that they are not automatically triggers for escalation. Performance measures considered include: project scope; initial and final operational capability schedule delivery; and cost.

Project Performance Reporting

1.42 During 2023–24, the ANAO observed changes in Defence’s project performance reporting for the major projects, including the reporting for POC and POI. As reported in the 2022–23 MPR, the Minister for Defence Industry introduced monthly reporting in October 2022.⁹⁰

85 JCPAA, *Report 496 Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates: Interim Report on the 2020–21 and 2021–22 Defence Major Projects Report*, June 2023, paras. 2.10 to 2.24, paras. 2.25 to 2.30 and paras. 2.59 to 2.61.

86 JCPAA, *Report 503: Inquiry into the Defence Major Projects Report 2020-21 and 2021-22 and Procurement of Hunter Class Frigates*, June 2024, Recommendation 1, para. 1.8.

87 JCPAA, *Report 489: Defence Major Projects Report 2019-20*, March 2022, Recommendation 2:

The Committee recommends that the Department of Defence revisit its effort to provide criteria for projects to enter and exit the Projects of Concern and Projects of Interest categories and create processes for their consistent application, enabling these to be reviewed as part of the next MPR, and that the ANAO gives further consideration to these issues in the next MPR.

88 JCPAA, *Report 496: Inquiry into the Defence Major Projects Report 2020-21 and 2021-22 and Procurement of Hunter Class Frigates: Interim Report on the 2020-21 and 2021-22 Defence Major Projects Report*, June 2023, paras. 2.10 to 2.24 and paras. 2.27 to 2.30.

89 Department of Defence, *Delivery Group Performance Management and Reporting, and Management of Projects and Products of Interest and Concern*, V1.1, Defence, October 2023.

90 Auditor-General Report No.14 2023–24, 2022–23 Major Projects Report, para. 1.47.

1.43 In June 2023, following advice from Defence, the Minister for Defence Industry agreed to a change in the frequency of reporting: monthly reporting for POC and POI, and other projects as necessary by exception; and quarterly reporting (Quarterly Performance Report (QPR)) for all major projects and sustainment activities, to allow for timely analysis and advice about ongoing and emerging project performance issues.

1.44 Defence also proposed that the revised approach commence with a new QPR, which excluded POC and POI reports, for the period April to June 2023. This approach was approved in June 2023 by the Minister for Defence Industry. The first reports under the new arrangements were provided in October 2023.

Quarterly Reporting

1.45 In October 2023, Defence updated the policy on performance management, reporting and management of projects and products of interest and concern.⁹¹ The policy contains the following six directives.

- Policy Directive 1: Responsibility for acquisition and sustainment delivery and performance is assigned to accountable line managers, who report to senior officers, through their chains of command.
- Policy Directive 2: Delivery Groups must ensure that their reporting is timely, transparent and forward looking, and provides early warning of risks and issues.
- Policy Directive 3: Tiered approach to the identification, management and mitigation of risks and issues in Group project and product delivery is to be applied within Delivery Group governance processes.
- Policy Directive 4: Senior level management of entry into and exit from the Watch List, POI or POC Lists, is based on the tiered approach.
- Policy Directive 5: A recommendation for entry into the Watch, POI or POC List is based on both quantitative measures and qualitative judgments.
- Policy Directive 6: Responsible managers must act with managed urgency, in collaboration with other stakeholders, to remediate identified issues in a project or product on the POI and POC Lists.

1.46 Until March 2024, the Defence QPR was being produced with POC and POI information and included projects with exceptions to delivery. The QPR now focuses on performance trends of all second pass projects and products, identified exceptions and new approved projects. The March 2024 QPR did not reflect the Integrated Investment Program (IIP) rebuild.⁹² For 2023–24, timing for the provision of the QPR to the Minister for Defence Industry is occurring on an average of three months after the end of the reporting period.

Monthly Reporting

1.47 From March 2024, the monthly POC and POI reporting has been separated from other reporting deliverables to ensure information is provided by Defence to the Minister for Defence Industry in a timely manner (see paragraph 1.41).

1.48 In May 2024, a new traffic light approach was introduced in the monthly report to assess progress against the remediation plans. From June 2024, traffic-light ratings also provided an overall

91 Department of Defence, *CASG-1-Policy (PM) 007 – Delivery Group Performance Management and Reporting, and Management of Projects of Interest and Projects of interest and Concern*, V1.1, October 2023.

92 Defence is yet to advise the ANAO of the impacts of the IIP rebuild on projects in the MPR in future.

assessment of exit criteria performance. For 2023–24, timing for the provision of the monthly reporting to the Minister of Defence Industry was delayed, on average, by 1.6 months (see Table 1.2).

Table 1.2: 2023–24 Ministerial Reporting on Projects of Concern and Projects of Interest

Reporting month	Report provided to Minister	Months delay
July 23 ^{a b}	N/A	N/A
August 23	October 23	2
September 23	December 23	3
October 23 ^b	N/A	N/A
November 23 ^c	January 24	2
December 23	January 24	1
January 24 ^d	March 24	2
February 24 ^d	March 24	1
March 24	May 24	2
April 24	May 24	1
May 24	June 24	1
June 24	July 24	1

Note a: July is considered a non-reporting month and the data is included in the following month's report.

Note b: The July and October 2023 POI/POC report was not prepared due to concurrent efforts with the June 2023 Quarterly Performance Report.

Note c: Monthly POI and POC reports were separated from regular Quarterly Performance Reports in November 2023.

Note d: The November and December 2023 and the January and February 2024 monthly reports was a combined report covering both months.

Source: ANAO analysis of Defence's Ministerial reporting.

1.49 The Defence policy also sets out a high-level process flow intended to introduce a consistent approach to the entry and exit of projects from POI/POC status, and performance measures, which may be considered in the elevation of a project to POI/POC status (see paragraph 1.41).

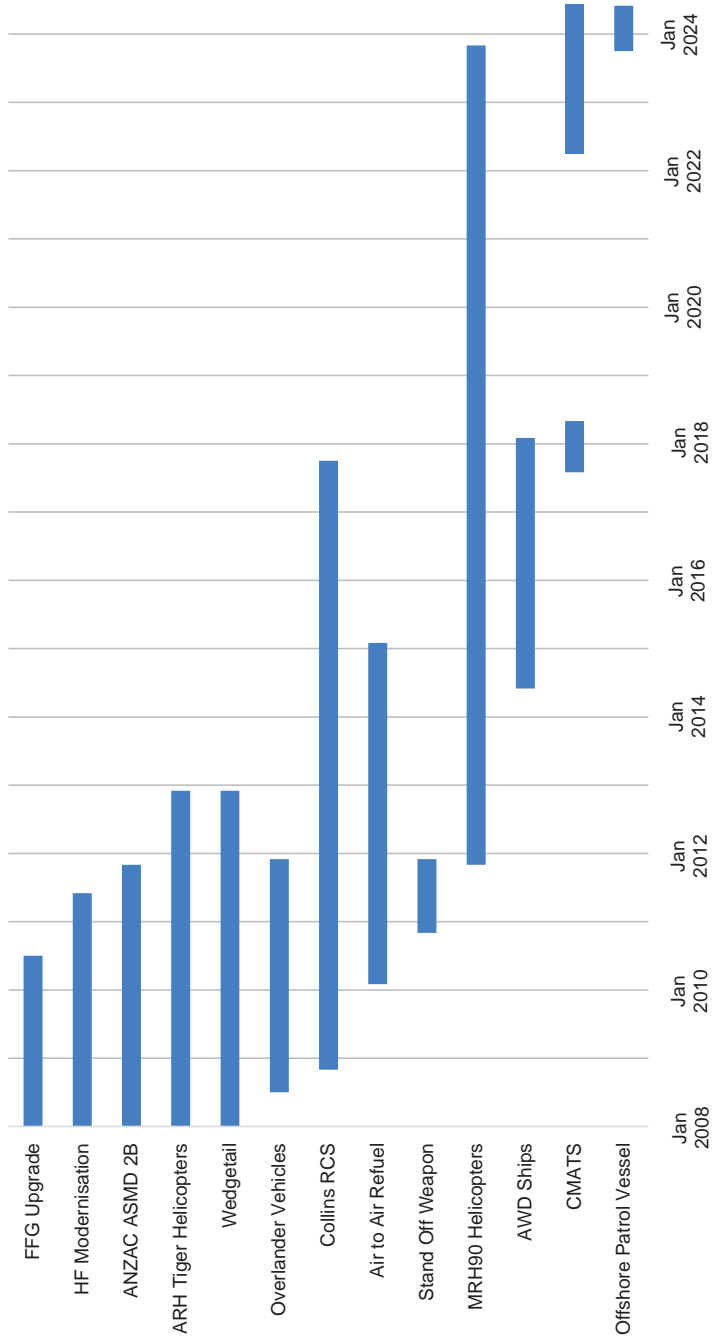
Longitudinal analysis — POC and POI

1.50 Figure 1.1 and Figure 1.2 set out the ANAO's longitudinal analysis of all MPR projects since 2008 (for POC) and 2014 (for POI), which have had POC and POI status. Thirteen⁹³ MPR projects have been classified as POC (2022–23: 11), with an average of five years on the POC list. Sixteen MPR projects have been identified as POI, with an average of three years on the POI list.⁹⁴

93 Collins Replacement Combat System (Collins RCS) was not identified in the ANAO analysis in 2022–23 and Offshore Patrol Vessel was placed on the POC listing in 2024.

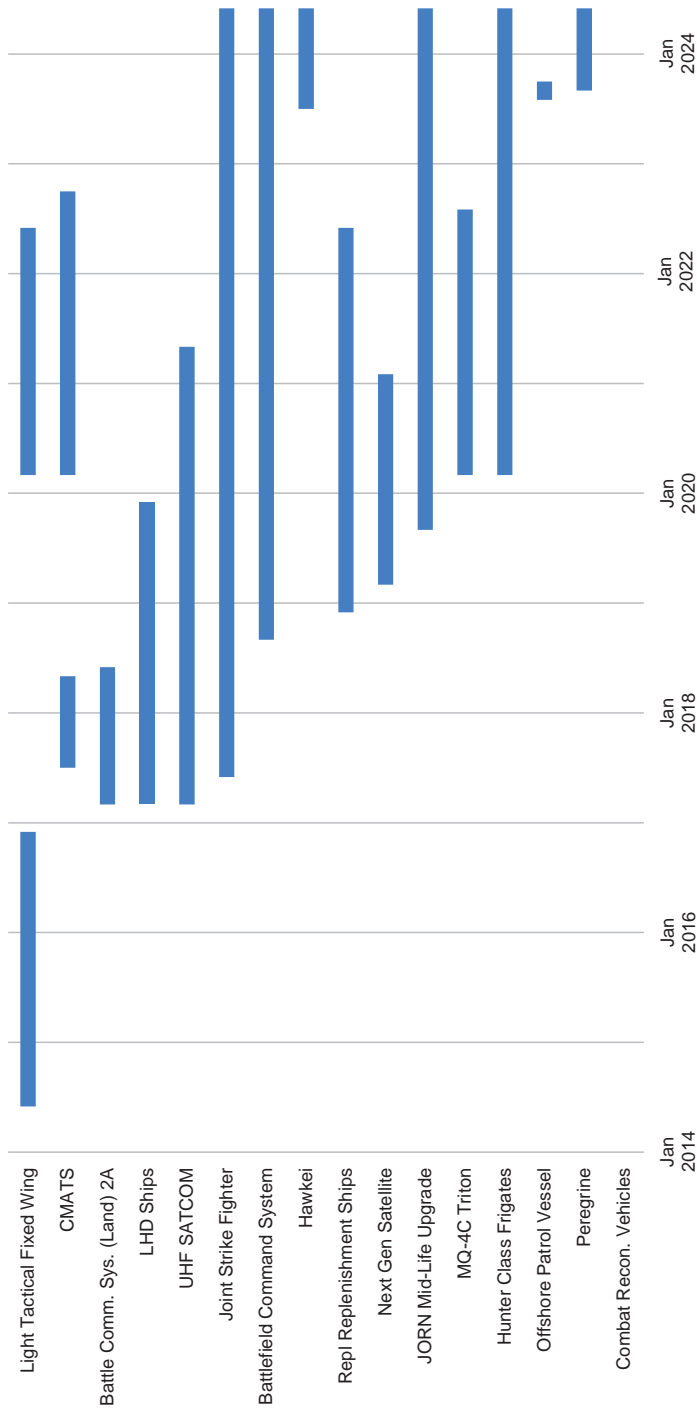
94 Combat Recon. Vehicles entered the POI list in June 2024 and is a continuing POI project as at September 2024.

Figure 1.1: MPR projects identified as Projects of Concern



Source: The ANAO's review of projects entering and exiting the POC list from Ministerial reporting.

Figure 1.2: MPR projects identified as Projects of Interest^a



Note a: Combat Recon. Vehicles entered the POI list in June 2024 and is a continuing POI project, at September 2024.
 Source: The ANAO's review of projects entering and exiting the POI list from Defence and Ministerial reporting.

Matériel Acquisition Agreements

1.51 Since 2007–08 the ANAO has reported on the evolution of Materiel Acquisition Agreements (MAAs) and related documents, and their role in materiel governance. MAAs are internal agreements between CASG and the military Service Chiefs, which relate to product delivery and set out a project’s approved activities. All projects in the 2023–24 MPR have an approved MAA.⁹⁵

1.52 In 2023–24, MAAs continued to be a key source of information for project teams on product delivery and approved activities. They contain information drawing on original approval documents, such as government decisions, and are used to validate project requirements. MAAs and related documents should be reviewed with sufficient frequency to ensure approved changes to product capability, schedule and cost are properly managed with Defence contractors.

1.53 During 2023–24, 11 of the 21 projects have an MAA that was approved between 2022 and 2024; six were approved between 2020 and 2022; and four have an MAA that was approved prior to 2020.⁹⁶

Application of MAAs on business reporting systems

1.54 Defence uses MAAs to populate project reporting data in its business reporting systems, such as the Monthly Reporting Module (MRM)⁹⁷ and Project Performance Review and Information Platform (PPRIP).⁹⁸ The MAA is used to derive, and populate, information relating to: schedule milestone performance and status; measures of effectiveness against scope delivery⁹⁹; cost and budget; schedule performance; schedule status; and measures of effectiveness against scope delivery.¹⁰⁰

95 The MPR will monitor change into future years in the *Integrated Investment Program*, following the Department of Defence, *National Defence: Defence Strategic Review*, p. 56, which recommends: ‘The Integrated Investment Program (IIP) should be rebuilt in line with the force structure design priorities outlined in the Review’ and capability reprioritisation, Department of Defence, *2024 National Defence Strategy*, p. 7 refers.

96 Status of MAA by project:

- Less than one year: Joint Strike Fighter; MQ-4C Triton; IE Support Helicopter; CMATS; Battle Comm. Sys.; Pacific Patrol Boat Repl. and ANZAC Air Search Radar Repl.;
- Between one and two years: ARH Replacement; Advance Growler; Heavy Armoured Capability and Maritime Comms.;
- Between two and four years: Combat Reconnaissance Vehicles; Overlander; Peregrine; SRGB Air Defence; JORN Mid Life Upgrade; and Collins Comms. and EW; and
- Older than four years: Hunter Class Frigates; Offshore Patrol Vessel; Hawkei and Battlefield Command System.

97 Department of Defence, *All Projects Quick Reference Guide (QRG) Data Sources, Monthly Reporting Module (MRM)*, p. 2:

The MRM enables a structured and formalised report process for the CASG executive. It is a requirement for CASG projects to complete their monthly reporting via the MRM.

98 Department of Defence, *All Projects Quick Reference Guide (QRG) Data Sources, Project Performance Review Information Platform (PPRIP)*, p. 2:

PPRIP is a web-based application that supports the Project Performance Review process. Comments input into PPRIP to support the monthly review cycle can be imported into MRM for the purposes of completing a monthly report cycle.

99 Department of Defence, *All Projects Quick Reference Guide (QRG) Data Sources, Monthly Reporting Module (MRM)*, pp. 7, 8 and 12.

100 Department of Defence, *All Projects Quick Reference Guide (QRG) Data Sources, Project Performance Review Information Platform (PPRIP)*, pp. 9 to 12 and 15.

1.55 In May 2023, Defence mandated the use of MRM and PPRIP to inform decision making, enable data sharing across Defence, and facilitate official performance reporting to government. Defence intends to replace these business systems with the Enterprise Resource Planning (ERP) program.¹⁰¹

1.56 With delays extending beyond four years in updating MAAs, the quality of reporting generated from MRM and PPRIP is limited particularly when there has been change in project budget, schedule and scope.

Smart Buyer Framework

1.57 The 2015 First Principles Review recommended the construction of a ‘smart buyer’ framework, with the aim of ensuring that ‘Defence can make strategic decisions regarding the most appropriate procurement and contracting methodologies’.¹⁰²

1.58 In March 2023, Defence released an updated version of its Smart Buyer Guidance. The guidance describes the application of the Smart Buyer Framework, consisting of a series of facilitated workshops, and states:

This guidance provides an approach that enables Defence to act as a Smart Buyer. This encompasses the need for Defence to be more commercially oriented and deliver value for money whilst optimising capability outcomes through-life and in accordance with Government direction and Capability Manager priorities.

This guidance also describes the application of the Smart Buyer Framework, an integral step in the development of the Project Execution Strategy (PES) and aspects of the Business Case prior to consideration by the Investment Committee at each decision Gate. The Smart Buyer Framework can also be adapted to support strategy validation or strategy development at other decision points in the One Defence Capability System.¹⁰³

Application to MPR projects

1.59 The two projects entering the MPR in 2023–24, ARH Replacement and IE Logistics Support Helicopter, applied the Smart Buyer framework.¹⁰⁴

1.60 No Smart Buyer activity has been conducted during 2023–24 for any of the remaining MPR projects.

Australian Industry Capability

1.61 Defence has stated that the Australian Industry Capability (AIC) program aims to¹⁰⁵:

101 ERP is introducing a SAP solution which seeks to drive alignment and standardisation; implement fit for purpose IT systems; encourage better ways of working and develop an integrated force structure view with measurable inputs to capability. Department of Defence, *Enterprise Resource Planning Program*, Defence, Canberra, available from <https://www.defence.gov.au/business-industry/industry-capability-programs/enterprise-resource-planning-program> [accessed 23 October 2024].

102 Australian Government, *First Principles Review Creating One Defence*, Commonwealth of Australia, Canberra, 2015, available from <https://www.defence.gov.au/about/reviews-inquiries/first-principles-review-creating-one-defence> [accessed 16 October 2024], p. 35, Footnote 51.

103 Department of Defence, *Smart Buyer Guidance*, Version 2.1, March 2023, paras. 1.1 to 1.2.

104 Smart Buyer workshops at Gate 0 were held for ARH Replacement in May 2018 and for IE Logistics Support Helicopter in September 2020.

105 Department of Defence, *Australian Industry Capability Program* [Internet], Defence, available from <https://www.defence.gov.au/business-industry/industry-capability-programs/australian-industry-capability-program> [accessed 16 October 2024].

- Provide opportunities for Australian companies to compete on merit for Defence work within Australia and overseas.
- Influence foreign prime contractors and original equipment manufacturers, including Australian subsidiaries, to deliver cost-effective support.
- Facilitate transfer of technology and access to appropriate intellectual property rights.
- Encourage investment in Australian industry.

1.62 Tenderers are required to address Australian industry involvement for all Defence materiel and non-materiel procurement valued at or above \$4 million (\$7.5 million for construction services).¹⁰⁶ This approach requires tenderers to demonstrate appropriate formal consideration of Australian industry—locally and nationally—through a schedule or plan that forms part of their tender response, including versions for public release (see paragraph 1.65).¹⁰⁷ Whether a schedule or plan is used will depend on the size and nature of the procurement.¹⁰⁸

1.63 The AIC requirement for a Defence procurement is as follows.¹⁰⁹

- Procurements valued less than \$4 million — no specific requirements.
- Materiel procurements valued between \$4 million and \$20 million — requirement for an AIC Schedule.
- Non-materiel procurements valued between \$4 million and \$20 million — requirements for an Industry Participation Schedule. Non-materiel procurements relate to a range of goods and services managed by CASG, such as maintenance, health, logistics, training and travel.
- Materiel procurements valued at \$20 million or more — continued requirement for an AIC Plan¹¹⁰ including an AIC Schedule.
- Non-materiel procurements valued at \$20 million (incl GST) or more — requirement for an Industry Participation Plan including a Schedule.

1.64 Industry Schedules require a breakdown of the value of the planned expenditure in Australia in terms of companies, nature and value of work. They are a means for tenderers to address local industry involvement where relevant and contribute to Defence’s assessment of the economic benefit of the tendered solution as part of considering overall value for money.¹¹¹

1.65 Industry Plans describe how the tenderer has engaged with Australian industry at the national and local levels (where applicable) to deliver the required goods, works or services.¹¹²

1.66 Defence has stated that it ‘has developed an enhanced AIC contractual framework and supporting artefacts with specific and measurable AIC commitments that promote greater

106 *ibid.*

107 Department of Defence, *National Defence: Defence Strategic Review*, pg. 63, which recommends: “Australian industry content and domestic production should be balanced against timely capability acquisition.”

108 *ibid.*, p. 15, para. 1.9.

109 *ibid.*

110 Department of Defence, *Defence Policy for Industry Participation*, Defence, Canberra, 2019, available from <https://www.defence.gov.au/business-industry/industry-programs/defence-policy-industry-participation> [accessed 16 October 2024], p. 30, para. 2.24, point 4, requires publishing public versions of AIC Plans with the agreed contract commitment.

111 *ibid.*, p. 42.

112 *ibid.*

accountability for achieving the AIC objectives'.¹¹³ It further provided that the enhanced AIC contractual framework was not applied retrospectively. Defence has adopted a phased implementation approach across the Australian Standard for Defence Contracting (ASDEFCON) template suite. Government-to-Government (GtG) procurements, including Foreign Military Sales (FMS) and Direct Commercial Sales, are not exempt from AIC Program requirements.¹¹⁴

Application to MPR projects

1.67 The 2023–24 MPR Guidelines provide for reporting in the PDSS on whether there is an AIC Plan(s) for large contracts, and the inclusion of a short description of the key elements of the plan. Projects are also expected to state whether there are contracted AIC targets.

1.68 The ANAO considered if contractors for each Major Project had an established AIC plan, or schedule as appropriate, based on the value of the procurement. A summary of the AIC plan has been included in the relevant PDSSs, which also report on whether AIC targets have been established.

1.69 Five of the Major Projects did not have AIC plans in place (Joint Strike Fighter, ARH Helicopters, Peregrine, IE Support Helicopters and MQ-4C Triton). The reasons provided in PDSSs were that these were collaborative programs with other countries or FMS cases.

1.70 The ANAO assessed if public AIC plans had been published in line with the AIC Program, where it is a requirement that tailored versions of AIC plans be prepared for public release.¹¹⁵ The following exceptions were identified.

- Hunter Class Frigates and Combat Reconnaissance Vehicles had not published a public plan for one or more of their eligible contractors.¹¹⁶

Results of the ANAO's review

1.71 The following sections outline the results of the ANAO's review, which inform the overall conclusion in the *Independent Assurance Report* by the Auditor-General for 2023–24.

Financial framework

1.72 The project financial assurance statements were introduced in the 2011–12 MPR and have been included within the scope of the Auditor-General's *Independent Assurance Report* since 2014–15. The contingency statements were introduced for the first time in the 2013–14 MPR and describe the use of contingency funding to mitigate project risks. Together, they are aimed at providing greater transparency over projects' financial status.

1.73 A project's total approved budget comprises of the:

113 Department of Defence, *Australian Industry Capability Program*, Defence, Canberra, available from <https://www.defence.gov.au/business-industry/industry-capability-programs/australian-industry-capability-program> [accessed 23 October 2024].

114 Department of Defence, *Defence Policy for Industry Participation*, Defence, Canberra, 2019, available from <https://www.defence.gov.au/business-industry/industry-programs/defence-policy-industry-participation> [accessed 16 October 2024].

115 *ibid.*

116 Defence advised ANAO in September 2024 that the contractor for Hunter Class Frigate had submitted a plan that is undergoing review and would be published in November 2024. Defence advised the ANAO in October 2024 that Combat Reconnaissance Vehicles is in the process of publishing its AIC Plans that have been prepared by the contractor.

- allocated budget, which covers the project’s approved activities, as indicated in the MAA; and
- contingency budget, which is set aside for the eventuality of risks occurring and includes unforeseen work that arises within the delivery of the planned scope of work.¹¹⁷

1.74 In 2023–24, the ANAO reviewed the financial framework as it applied to managing project budgets and expenditure, including: project financial assurance, contingency, the reporting environment, and reporting cost variations.

Project financial assurance statement

1.75 The project financial assurance statement’s objective is to enhance transparency by providing readers with information on each project’s financial position (in relation to delivering project capability/scope) and whether there is ‘sufficient remaining budget for the project to be completed’.¹¹⁸ The statement is restricted to the current financial contractual obligations of Defence for these projects, including the result of settlement actions and the receipt of any liquidated damages, and current known risks and estimated future expenditure at 30 June 2024.

1.76 Defence’s Chief Finance Officer’s representation letter to the Secretary of Defence on the 2023–24 MPR’s project financial assurance statements was unqualified.

Contingency statements and contingency management

1.77 Defence policy states that the purpose of a project’s contingency is to provide funding for cost, schedule and technical uncertainties that may materialise over the life of a project.¹¹⁹ The policy requires that the project manager maintain a project contingency log, which is intended to support management’s control of project contingency and facilitate reporting on its use. The use of contingency funding is dependent on the occurrence of a contingency risk event and contingency cannot be used to pay for activities which will increase the scope of the capability project.

1.78 Contingency provisions are approved by government as part of the total project budget, though are not programmed or funded in cash terms and projects are encouraged to meet contingency funding requirements from within their currently programmed cash funding. If this cannot be achieved, a project may propose to access contingency funding from the relevant capital program — the Military Equipment Acquisition Program, Enterprise Estate and Infrastructure Program or ICT Capital Program. In this case, the project must make an application to access the project’s contingency to a designated official within Defence Finance Group (DFG). If this cannot be achieved, the contingency call will be presented to the Defence Investment Committee, which if agreed will potentially be met by budget offsets across the whole Integrated Investment Program.¹²⁰

1.79 PDSSs are required to include a statement regarding the application of contingency funds during the year, if applicable, as well as disclosing the risks mitigated by the application of those contingency funds.

117 Department of Defence, (PM) 003, *CASG Project Controls Manual, Acronyms, Abbreviations and Definitions*, 2017, p. 8.

118 Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Report 436: Review of the 2011–12 Defence Materiel Organisation Major Projects Report*, (2013), para. 3.4, p. 14.

119 Department of Defence, *Financial Policy, Management of Defence Capability Project, Contingency*, November 2022, para. 2, p. 2.

120 *ibid.* Contingency calls below \$100 million endorsed by DFG will be reported to the Investment Committee by Defence Finance Group and calls above \$100 million will need to be approved by the Investment Committee.

- 1.80 In 2023–24, three projects applied contingency to manage project risks (2022–23: two):
- SRGB Air Defence for higher-than-expected inflation levels;
 - CMATS for establishing and progressing the Air Traffic Management (ATM) Capability Assurance Program (CAP), being delivered by Surveillance and Control System Program Office (S&C SPO) under existing support arrangements for the Australian Defence Air Traffic System (ADATS); and
 - Pacific Patrol Boat Repl. primarily for engineering modifications.

1.81 In 2023–24, all the Major Projects had complied with Defence’s financial policy relating to contingency funding.

1.82 The ANAO’s examination of project contingency logs at 30 June 2024, highlighted that the clarity of the relationship between contingency allocation and identified risks continues to be an issue. Two projects (Overlander and ANZAC Air Search Radar Repl.) did not explicitly align the contingency log with the risk log to ensure that the expected cost impact of risks is maintained effectively, as required by the Capability Acquisition and Sustainment Risk Management Manual (CAS RMM) V1.0.¹²¹ The ANAO made similar observations in the 2022–23 MPR for two projects (Collins Comms and EW and ANZAC Air Search Radar Repl.).¹²²

1.83 During the JCPAA’s *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, Defence advised the Committee that alignment of risks and contingency logs was being addressed as part of its risk management processes, and that Defence was assessing this for projects outside the MPR as part of its project assurance activities.¹²³ In response to the JCPAA interim report Recommendation 2 Defence stated¹²⁴:

Defence has been supporting its major project teams with additional guidance and assistance to improve their compliance with policies and processes associated with project management. Defence is seeing positive signs that the contingency funding and lessons learned policies are being adhered to across the MPR projects, and continues to assess compliance across all major projects.

1.84 In June 2024, the JCPAA reported that contingency funding has been a consistent issue across previous MPRs and continues to persist.¹²⁵

Risk Management Framework

1.85 While major risks and issues data in the PDSSs remains excluded from the formal scope of the Auditor-General’s *Independent Assurance Report*¹²⁶, any material inconsistencies identified between the information disclosed in these excluded sections and the ANAO’s understanding from performing review procedures on the in-scope information can result in a qualification to the Auditor-General’s conclusion. The following information is included to provide an overall perspective of how risks and issues are managed within Defence and the selected Major Projects.

121 Department of Defence, CASG Manual (CP) 005 Capability Acquisition and Sustainment Risk Management Manual V1.0, 2021, para. 7.20, p. 38.

122 Auditor-General Report No.14 2023–24, *2022–23 Major Projects Report*, ANAO, Canberra, para. 1.77.

123 Defence supplementary submission, response to additional question 29.

124 Department of Defence, *Australian Government Response to the Joint Committee of Public Accounts and Audit interim report: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and the Procurement of Hunter Class Frigates*, Recommendation 2, Supporting rationale, p. 3.

125 Joint Committee of Public Accounts and Audit, *Report 503: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, Canberra, 2024, para. 1.7.

126 See para. 1.3 for more information.

1.86 Defence's risk management has been a focus of the MPR since its inception, and has been reported on by the ANAO in successive MPRs. Risk management has also been reviewed by the JCPAA on a number of occasions, most recently in its *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*. In its June 2024 report on the inquiry, the Committee observed that:

...there are still inconsistencies in Defence's risk management practices, although improvements have been made, and this still needs to be addressed going forward.¹²⁷

1.87 Defence standardised the use of Predict! as its corporate risk management system, in May 2020.¹²⁸ In 2023–24, the ANAO's review of risk management documentation relating to the 21 Major Projects indicated that:

- all 21 project offices utilised Predict!;
- one project office (Hunter Class Frigate) used Predict! and Defence's CapabilityOne system; and
- one project office (CMATS) used Predict! and a bespoke SharePoint based tool managed jointly with Airservices Australia, as Airservices Australia does not use Predict!.

1.88 In 2023–24, the ANAO examined project offices' risks and issue logs at the Group and Service level, which are predominantly created and maintained utilising Predict! software. The following issues were identified relating to risk management.

- Variable compliance with corporate guidance. While most of the 21 Major Projects had an approved Risk Management Plan, four projects (Joint Strike Fighter, ANZAC Air Search Radar Repl, Overlander Medium/Heavy and Hawkei) were unable to demonstrate review of their risk management plan as required by Defence policy, CASG RMM V1.0.¹²⁹
- The visibility of risks and issues when a project is transitioning to sustainment.
- The frequency with which risks and issues logs are reviewed to ensure risks and issues are accurate and complete, appropriately managed in a timely manner, and accurately reported to senior management.
- Lack of quality control resulting in inconsistent approaches in the recording of issues within Predict!.
- Lack of a clear link between allocations against risk in the contingency log and risk log.

1.89 Controls within Predict! continue not to operate effectively.¹³⁰ Weaknesses in controls increase the risk that data generated from Predict!, as well as information derived from that data,

127 Joint Committee of Public Accounts and Audit, *Report 503: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, Canberra, 2024, para. 1.7.

128 Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, *Inquiry into Defence Major Projects Report* (Auditor-General's report Nos 19 and 22 (2019–20)), 27 May 2020, Group Business Manager Department of Defence.

129 The Capability Acquisition and Sustainment Risk Management Manual (CAS RMM V1.0) requires the project manager to validate the currency and efficacy of the Risk Management Plan (RMP) when transitioning from one stage of the Capability Life Cycle to the next and every six months, should a stage extend beyond six months. The project manager should submit periodic reports (at every stage or every six months should a stage extend beyond six months) to assure the efficacy of the risk controls and management processes in the RMP.

130 Auditor-General Report No.14 2023–24 *2022–23 Major Projects Report*, para. 1.92. Application controls assessed by the ANAO related to data input; data manipulation; and data output. Not all system controls were tested.

may not be reliable. The identified control weaknesses in Predict! identified in 2022–23¹³¹ have not been addressed by Defence.

1.90 For the Major Projects, the ANAO identified instances of risks and issues information in Predict! not being updated in a timely manner, or not being a complete and accurate record of the current mitigations or ratings. Supporting reviews were conducted of project risk meeting minutes, risk mitigation strategies and activity results, to supplement evidence from Predict!.

Lessons learned arrangements

1.91 The CASG Lessons Program Policy of February 2022¹³² is underpinned by a Defence Joint Directive, which directs all ‘Groups and Services, as required, to establish and lead a whole-of-Defence Joint Lessons that provides centralised Lessons management and coordination’. Version 3.0 of the policy states that the:

Deputy Secretary CASG expects leadership at all levels to actively participate in the CASG Lessons Program through the identification, analysis and documenting of observations, insights and lessons across the One Defence Capability System.

1.92 Defence’s lessons learned arrangements for the Major Projects were reviewed by the JCPAA in its *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*. In its June 2023 interim report on the inquiry, Recommendation 2¹³³ requested that Defence provide a detailed update on the implementation and compliance with internal policies for lessons learned for Major Projects as a result of its observations:

Previous JCPAA inquiries, MPRs and ANAO performance audits of Defence projects have found areas for improvement in Defence’s procurement and management of Major Projects. This highlights the need for Defence to share and understand the lessons from current and previous Major Projects to better identify and mitigate risks for future Major Projects. The changes from the Defence Strategic Review further highlight the importance of implementing lessons learnt from previous Major Projects, as the risks of these are higher as procurements need to happen more quickly.

In February 2022 CASG released a revised Lessons Program Policy requiring all Defence leaders to participate in and record the outcomes of Lessons Learned activities. The ANAO observed nine of the 21 projects in the 2021–22 MPR did not have Lessons Learned in the required location, and seven projects did not maintain a log at all.¹³⁴

As with the use of risk management tools, contingency funding and Defence’s approach to Lessons Learned have been consistent issues across previous MPRs and persist to this day.

Defence’s processes for Lessons Learned are particularly important to capture centrally for new projects to consider as Defence aims to accelerate its capability acquisition process and needs to learn from past challenges to make this a success. The Committee understands there can be a delay in implementing processes, but it is important for Defence to learn from previous

131 *ibid.*

132 This policy relates to projects being managed by CASG or NSSG.

133 Joint Committee of Public Accounts and Audit, *Report 496: Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and the Procurement of Hunter Class Frigates: Interim Report on the 2020–21 and 2021–22 Defence Major Projects Report*, June 2023, Canberra, Recommendation 2, para. 2.65.

134 JCPAA, *Report 496 Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates: Interim Report on the 2022–21 and 2021–22 Defence Major Projects Report*, June 2023, paras. 2.43 to 2.45.

experiences and consider these throughout the acquisition and management of future Major Projects.¹³⁵

1.93 In its response to the JCPAA in relation to Recommendation 2, Defence advised¹³⁶:

Under the CASG Lessons Program, major projects must develop a Lessons Collection and Management Plan, which draws on existing information in the Defence Lessons Repository relevant for their project planning and management. The Plan also requires the project to record their own observations, insights and lessons. This process supports the planning of future projects...

Defence is undertaking specific action to record the lessons from previous exited Major Projects in the Defence Lessons Repository. This includes the issues identified regarding compliance with contingency management and lessons learned policies.

An assessment of the projects in scope of the 2022-23 Major Projects Report identified that all of the projects have related lessons information available within the Defence Lessons Repository. Defence has reinforced with its project teams the requirement for capturing lessons in the repository and is monitoring this and providing assistance to project teams to ensure this occurs.

1.94 Controls within the Defence Lessons Repository (DLR) are not operating effectively. Weaknesses in application controls increases the risk that data generated from DLR, as well as information derived from that data, may not be reliable. The ANAO identified weaknesses in the following application control areas:

- data input;
- data manipulation; and
- data output.

1.95 Defence continues to refine its approach to reporting and evidencing lessons learned disclosures in the PDSSs. ANAO sought representations from Defence to support the disclosures in the PDSSs, which relied upon data held within the DLR. Defence advised the ANAO on 23 October 2024 that:

- observations, insights and lessons are maintained in the DLR;
- an extract from the DLR is provided to the Branch Head for approval for inclusion in the PDSS; and
- a CASG Lessons Board for the 2023–24 MPR will be held in June 2025.

1.96 The purpose of the CASG Lessons Board¹³⁷ is to:

135 *ibid.*, paras. 2.63 to 2.64.

136 Department of Defence, Response to the Joint Committee of Public Accounts and Audit interim report 496: *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and the Procurement of Hunter Class Frigates*, <https://www.aph.gov.au/DocumentStore.ashx?id=808ea705-30de-4635-a89b-9e09464fba98>, 2024, p.3 [accessed 17 October 2024].

137 Board standing membership is: Chair – CASG Group Business Manager; Assistant Secretaries from: Functions Delivery; Program Delivery and Analysis; Evaluation and Performance; Business Operations; Assurance and Review; Executive Directors from: Program Management Functional Lead; Commercial Policy and Practice; Chief Systems Engineer; Materiel Logistics Services; Manager of Functions from: Land Domain; Maritime Domain; Air Domain; Joint Domain; and Director Project Management Policy.

...review Observations, Insights and Lessons Identified affecting multiple domains and functions across CASG and direct the implementation of remedial activities to remove weaknesses and maintain strengths identified through the lessons process.

1.97 On 21 October 2024, Defence provided the ANAO a management representation letter indicating that Lessons reported in the 2023–24 MPR will not be reviewed by the CASG Lessons Board until June 2025, after their inclusion in the 2023–24 PDSS. The CASG Lessons Board last met in June 2024 to discuss lessons reported in the 2022–23 MPR.

The CASG Lessons Board is scheduled to convene once per annum, preferably in lockstep with timings and/or frequency of any comparable Defence Enterprise Lessons activities.

1.98 Lessons reported in the 2023–24 PDSSs have not yet been ‘learned’ by Defence and are raised for input into the remediation phase through the next meeting of the Lessons Board.

A CASG Lessons Board (the ‘Board’) is convened to review Observations, Insights and Lessons affecting multiple domains and functions across CASG and direct the implementation of remedial activities to address immediate issues identified through the lessons process.

... Noting the project level lessons and DLR lessons have not undergone formal consideration as a lesson learned (outcome of the Lessons Remediation Phase), projects have identified in their 2023–24 PDSS Section 6 that projects have identified / submitted lessons for into the DLR for consideration as “*strategic level lessons learned*”.

... These lessons will then be considered each year under a CASG MPR Lessons Board to identify if there is a lesson learned.

1.99 All projects have lessons recorded in the DLR.

1.100 Seven of the 21 projects (2022–23: eight) are yet to fully implement the lessons learned framework and compliance monitoring process.¹³⁸ As advised by Defence in its response to the JCPAA in relation to Recommendation 2 (see paragraph 1.94), implementation of Defence processes was expected to enable projects to review and apply applicable lessons learned policies, and support more consistent and improved project outcomes. The remaining fourteen projects maintained a lessons learned log, which is mandated under the Integrated Project Management Plan.

PDSS reporting

1.101 The MPR Guidelines require PDSSs to include information on project lessons (at the strategic level) that have been learned, and ‘systemic lessons’ where they are applicable to the project. The six categories¹³⁹ of system lessons are defined in the Guidelines as: program, project and product management; commercial management; engineering and technical; materiel logistics; decision support; and corporate performance.

138 The following projects did not maintain an internal lessons log: Advanced Growler; Hawkei; JORN Mid Life Upgrade; CMATS; Battle Comms. Sys.; Maritime Comms. and ANZAC Air Search Radar.

139 The 2022–23 MPR Guidelines had seven categories: requirements management; first of type equipment; off-the-shelf equipment; contract management; schedule management; resourcing; and/or governance. The changes to the categories were made by Defence as part of the annual review of the MPR Guidelines to align with the current CASG Lesson Program Policy.

1.102 In 2023–24, the PDSS for each project reports on a selection of lessons, and a summary of categories of lessons against the MPR Guidelines. Senior Executive clearance over the lessons disclosed in the PDSS was obtained.

1.103 The DLR may include multiple lessons for an individual project, however Defence has disclosed only between two to four in the respective PDSSs. By way of example, the Heavy Armoured Capability project has captured 51 lessons in the DLR, three of which are individual and the remaining 48 have been aggregated into four lessons against CASG Lesson Categories. The ANAO has not been provided evidence that supports the selection of lessons in the PDSS as being strategic and/or systemic in accordance with the MPR Guidelines reporting requirements.¹⁴⁰

1.104 The Auditor-General's *Independent Assurance Report* (found in **Part 3** of this report) includes a qualified conclusion on the basis that due to deficiencies in Defence's processes over lessons learned, the ANAO is unable to obtain sufficient appropriate audit evidence to conclude whether the disclosure of the lessons learned in the PDSSs is in accordance with the requirements of the Guidelines.

Caveats and deficiencies

1.105 Defence's reporting on 'caveats' and 'deficiencies' relating to the Major Projects was reviewed by the JCPAA in its 2023 *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*.

1.106 The JCPAA recommended in its June 2023 interim report¹⁴¹ that Defence provide an update on the requirements and consideration process to close recommendations from the ANAO and JCPAA, 'including an explanation as to why Recommendation 4 of Report 489: *Defence Major Projects Report 2019–20* has been closed without meeting its intended purpose.'¹⁴²

1.107 Defence advised the JCPAA in its response to Recommendation 4¹⁴³ that:

Defence acknowledges that "the definition of the two terms does not meet the intention of the Committee's recommendation to clarify any term relating to a deviation from project milestones being achieved". Recommendation 4 of Report 489 was closed in accordance with Defence's recommendation closure policy and process, with Defence advising the Joint Committee of Public Accounts and Audit of audit closure of Recommendation 4 of Report 489, via a tabling document on 1 June 2023.

Defence's intention in responding to Recommendation 4 was to identify to the Committee that there would only be two terms going forward. Defence intended to define any remaining legacy references in the 2022–23 Major Projects Report via its glossary and accepts that the response to the recommendation would have benefited from that clarification. There are three projects that use the legacy term 'exception' from 2021 in relation to achievement of project milestones in the

140 2023–24 MPR Guidelines, Section 6.1 Key Lessons Learned, p. 20.

141 This was also raised in JCPAA Report 503: *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and Procurement of Hunter Class Frigates*, https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Defence_MPR2020-21-22_and_Procurement_of_Hunter_Class_Frigates/Final_Report, 2024, para. 1.8.

142 *ibid.*, Recommendation 3, para. 2.68.

143 Department of Defence, Response to the Joint Committee of Public Accounts and Audit interim report 496: *Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and the Procurement of Hunter Class Frigates*, <https://www.aph.gov.au/DocumentStore.ashx?id=808ea705-30de-4635-a89b-9e09464fba98>, 2024, p. 3 [accessed 17 October 2024].

2022-23 Major Project Report. Definitions of 'exception', 'issue' and 'risk' were included in the 2022-23 Major Projects Report glossary.

All projects will adhere to the endorsed terms of 'caveats' and 'deficiencies' going forward.

1.108 In 2023–24, other than those deemed not for publication, Defence declared the following caveats or deficiencies relating to Major Projects in the MPR.

- Overlander Medium/Heavy — Defence declared Final Operational Capability in December 2023 with caveats. These caveats related to remaining specialist capabilities which will be remediated under the follow-on Heavy Medium Vehicle Project (LAND121 Phase 5B).
- Battle Comm. Sys. (Land) 2B — Defence declared Final Materiel Release in February 2024 with caveats. Final Operational Capability was declared in March 2024. Caveats are to be addressed through a support contract in 2024.
- Collins Comms and EW — Initial Operational Capability was declared in March 2024 with caveats relating to accreditation requirements.

1.109 No other terms were used by Defence in the declaration of achievement of capability milestones.

1.110 In line with the MPR Guidelines¹⁴⁴, projects that have been removed from the MPR that still have outstanding exceptions to the achievement of significant milestones and/or significant remaining materiel capability to be delivered, are required to report on the status of these activities in the *Statement by the Secretary of Defence* until their final status is accepted by the Capability Manager.

144 2023–24 MPR Guidelines, para. 1.17.

2. Analysis of project performance

2.1 Performance information is important in the management and delivery of major Defence equipment acquisition projects. It informs decisions about the allocation of resources, supports advice to internal decision makers and government, and enables stakeholders¹⁴⁵ to assess project progress.

2.2 Project performance and delivery has been the subject of many of the reviews of the Department of Defence (Defence)¹⁴⁶ and a consistent area of focus of the Joint Committee of Public Accounts and Audit (JCPAA) since the first Major Projects Report (MPR) in 2008–09.

2.3 The 2023–24 MPR Guidelines were endorsed by the JCPAA on 19 October 2023, and specify the performance information to be included in the Project Data Summary Sheets (PDSSs) prepared by Defence for each of the Major Projects appearing in the MPR.

Project performance analysis and information

Treatment of not for publication information

2.4 As discussed in paragraphs 16 to 26, Defence has decided not to publish certain information in 20 PDSSs (2022–23: 12). The not for publication (NFP) information includes forecast dates, capability delivery information and variance information. The affected PDSSs are set out in Table S.2 and Table S.3 (see pages 8 and 9).

2.5 Similar to the 2022–23 MPR, the Australian National Audit Office (ANAO) is in a position to publish aggregate analysis on: total schedule slippage across this year’s projects, average schedule slippage across this year’s projects, and in-year schedule slippage across this year’s projects (see Table S.7 on page 25). This results from the number of PDSSs that have not disclosed Final Operational Capability (FOC)¹⁴⁷ forecast dates — increasing from nine in 2022–23 to 18 in 2023–24 (see paragraph 25).

2.6 Due to the number of affected projects in 2023–24, it is not possible to derive the NFP information for individual projects from the aggregate analysis. There continues to be a reduction in the level of transparency and accountability to the Parliament and other stakeholders (see paragraph 18).

2.7 The impacts on the ANAO’s analysis of schedule performance are discussed in the relevant sections of this chapter.

145 Stakeholders for the purposes of the MPR are considered to be Parliament, government, Department of Defence, Defence Industry and the public.

146 Major Defence reviews since 2000 are discussed in: Auditor-General Report No.6 2013–14 *Capability Development Reform*, pp. 18 to 21 and Chapter 2; and Auditor-General Report No.34 2017–18 *Defence’s Implementation of the First Principles Review*.

See also: Australian Government, *National Defence: Defence Strategic Review, 2023*, ‘Chapter 12: Capability Acquisition, Risk and Accountability’.

147 FOC is the key milestone that forms the basis for the majority of the ANAO’s schedule analysis, including aggregate analysis of total schedule slippage across the major projects, average schedule slippage across the projects, and in-year schedule slippage across the projects.

Analysis of acquisition approach

2.8 The suite of current and historical PDSSs¹⁴⁸ indicates that Defence has primarily acquired the Major Projects using the following approaches.

- *Foreign Military Sales (FMS)*. The FMS program is a form of security assistance authorised by the President of the United States of America (US) to sell defence articles and services to foreign countries and international organisations. Under FMS, the US government and a foreign government enter into an agreement called a Letter of Offer and Acceptance.¹⁴⁹ FMS cases tend to be acquisitions of mature platforms from existing production lines. In the 2023–24 MPR, the four FMS projects were: ARH Replacement; IE Logistics Support Helicopters; Heavy Armoured Capability; and Peregrine. This is an increase of two projects from the prior year due to the two new projects (ARH Replacement, IE Logistics Support) entering the MPR for this first time this year.
- *Government-to-government (GtG)* agreements or contracts. These acquisitions are based on a Memorandum of Understanding or other agreement between the Australian government and a foreign government, where the agreement is not a FMS acquisition. These procurements are typically for developmental programs where Australia and another country or countries will collaborate on the development of a platform. In 2023–24, the three GtG based projects in the MPR were: Joint Strike Fighter (JSF); Advanced Growler; and MQ-4C Triton (the same as in 2022–23).
- *Other* approaches, typically involving direct contracting with commercial suppliers. In 2023–24, all MPR projects not involving FMS or GtG arrangements were based on direct contracting arrangements.

2.9 A project may have multiple approaches to acquiring different aspects of its scope.¹⁵⁰ For example, while the JSF project is considered to be a GtG agreement or contract, it also reports two FMS arrangements among its major contracts. For the purposes of analysis in this report, the ANAO has categorised projects based on their lead contract or primary acquisition arrangement (for example, the acquisitions of the JSF/F-35A air vehicle and engine are described in the JSF PDSS as United States Government Contracts).

Use of different acquisition approaches

2.10 Figure 2.1 demonstrates the distribution of FMS, GtG, and other approaches for the suite of Major Projects over time. This figure indicates that FMS arrangements were most common in a period following the 2003 Defence Procurement Review and less common since the 2015 First Principles Review. In contrast, other approaches became more common following the 2015 First Principles Review.

148 In 2022–23 the data pertaining to the Battlefield Command System (LAND200 Tranche 2) was excluded from this analysis due to the Auditor-General's Qualified Conclusion, see paras. 2.8–2.9 and the Independent Assurance Report in Part 3 of that report.

149 Source: Defense Security Cooperation Agency, Foreign Military Sales (FMS), DSCA, Washington, D.C., United States, 2024, <https://www.dsca.mil/foreign-military-sales-fms> [accessed 31 October 2024].

150 For example, Department of Defence, *2024 National Defence Strategy*, p. 40 or Department of Defence, *National Defence: Defence Strategic Review*, p. 61, para. 8.44, which states: 'F-35A Joint Strike Fighter and F/A-18F Super Hornet aircraft must be able to operate the Long-Range Anti-Ship Missile. The Joint Strike Missile (JSM) should also be integrated onto the F-35A. To enable the F-35A fleet to operate the JSM, the aircraft will need to be upgraded to Block 4 configuration'.

2.11 Figure 2.2 outlines the distribution of FMS projects across the domains of SEA, LAND and AIR. This indicates that the majority of Major Projects with FMS arrangements have been AIR projects, and in particular, procurements of air platforms (C-17 Heavy Airlifter, Super Hornet, Additional Chinook, MH-60R Seahawk, Growler, Light Tactical Fixed Wing, and Peregrine).

Figure 2.1: Acquisition approach approvals over time

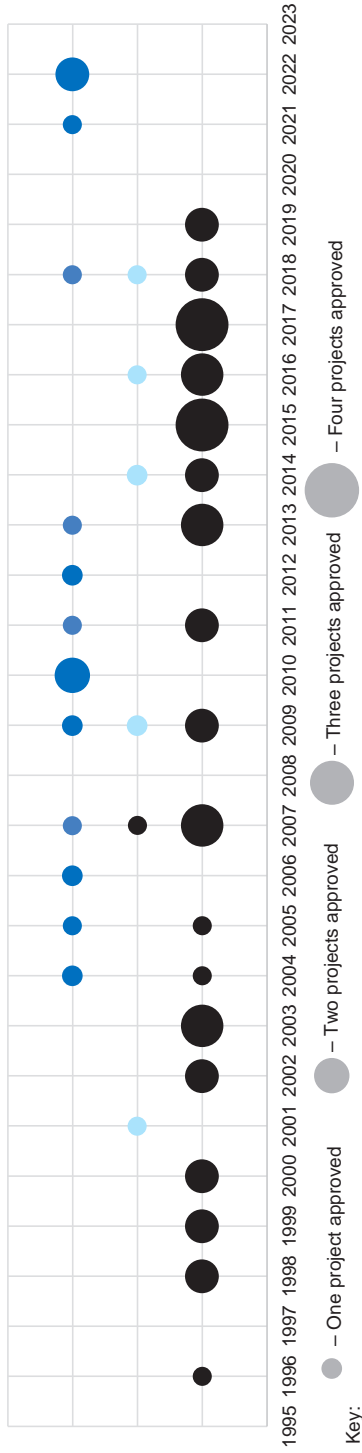
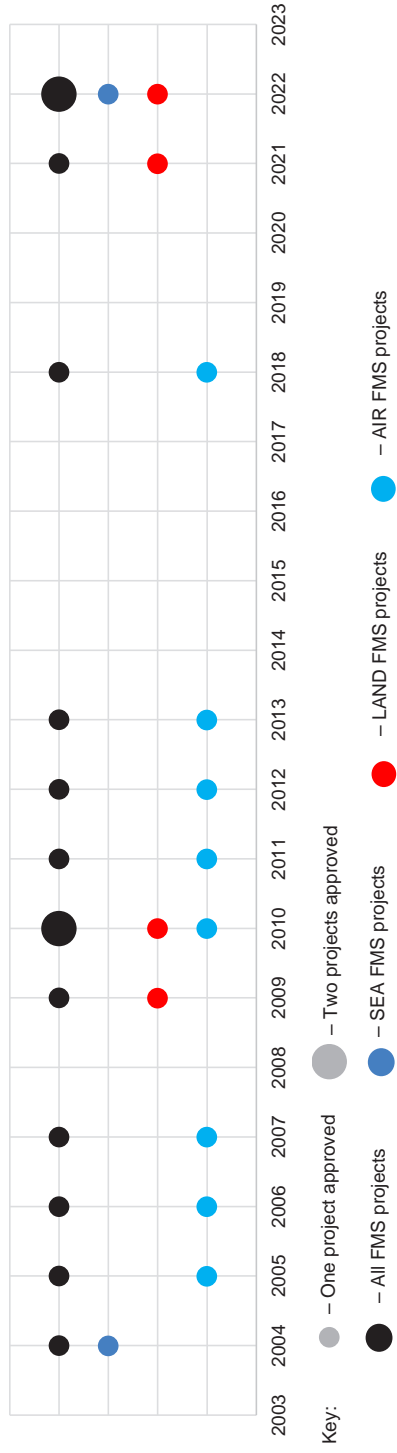


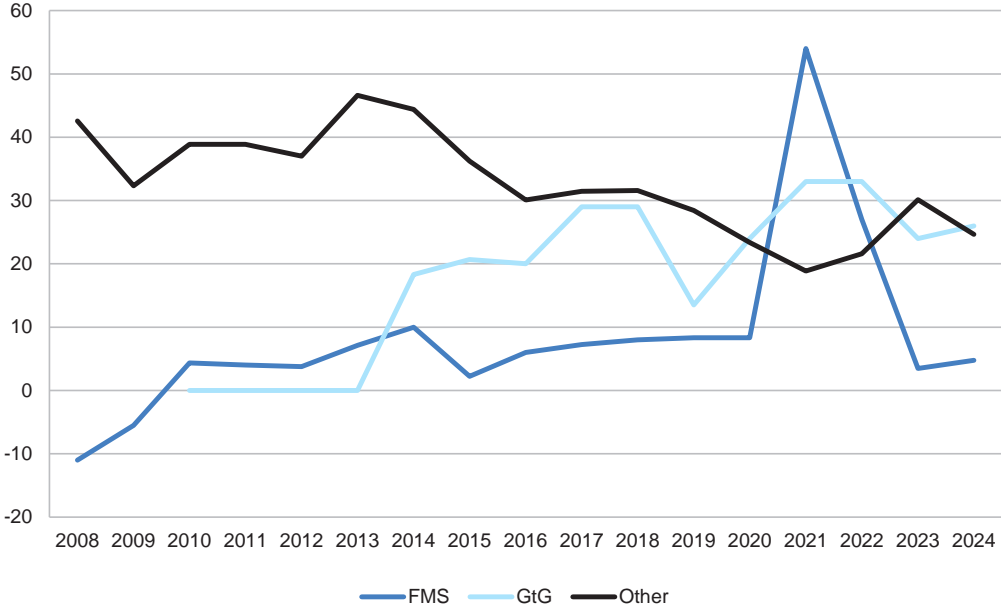
Figure 2.2: FMS case approvals over time by domain



Schedule performance by acquisition approach

2.12 Figure 2.3 outlines the average schedule slippage to FOC for each acquisition approach in each year of the MPR. The vertical axis indicates months of slippage.

Figure 2.3: Average slippage over time by acquisition approach (months)^a



Note a: There is no data for GtG projects in 2008 and 2009 as there were no GtG projects in the MPR in those years. Source: ANAO analysis of Defence’s PDSSs across multiple years.

2.13 The increase in slippage for GtG projects from 2013 is attributable to performance of the Heavyweight (Hw) Torpedo, P-8A Poseidon and MQ-4C Triton projects. Hw Torpedo received all deliveries under the GtG agreement as scheduled, but installation was affected by delays to the docking schedule of the Collins Class submarines.¹⁵¹ This delay would have affected this project’s FOC date regardless of its acquisition approach. For P-8A Poseidon, the slippage is due to the Australian Government’s decision to extend the project to purchase an additional four air vehicles, rather than unplanned delays.¹⁵²

2.14 For MQ-4C Triton (GtG project), development of the platform was delayed by a funding pause from February 2020 for two years (US Fiscal Years 2021 and 2022), affecting the United States Navy research and development program, as described in the PDSS.

151 Auditor-General Report No.20 2011–12 2010–11 Major Projects Report, Canberra, 2011, p. 432 available from <https://www.anao.gov.au/work/major-projects-report/2010-11-major-projects-report>, [accessed 16 November 2024], and Auditor-General Report No.12 2013–14 2013–14 Major Projects Report, Canberra, 2014, p. 415, available from <https://www.anao.gov.au/work/major-projects-report/2013-14-major-projects-report>, [accessed 16 November 2024].

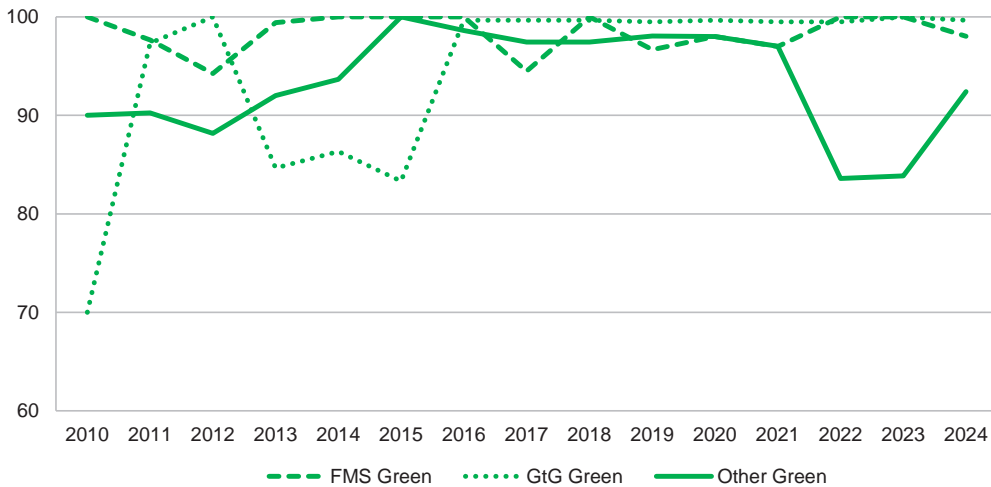
152 Auditor-General Report No.19 2020–21 2019–20 Major Projects Report, p. 185.

2.15 The increased slippage for FMS in 2021 and 2022 is attributable to a single project, Light Tactical Fixed Wing. This project was atypical for an FMS arrangement in that the United States Air Force divested from the capability early in the project's life and the air vehicle was not part of a large fleet or production run. This project's schedule was affected by delays to aircraft production and construction of Australian facilities, and a government decision to redefine the requirements for FOC to exclude certain capabilities not considered achievable as previously planned.

Predicted capability delivery performance by acquisition approach

2.16 Figure 2.4 outlines the average percentage of predicted 'Green' (see paragraph 2.57) meaning high confidence for delivery of each acquisition approach over time for MPR projects.

Figure 2.4: Average 'Green' capability forecast over time by acquisition approach



Source: ANAO analysis of Defence's PDSSs across multiple years.

2.17 The figure indicates that projects involving FMS arrangements have reported higher assessments of 'Green', representing greater certainty that the scope of the project will be delivered as planned. The figure indicates greater variability in projects involving government-to-government and 'other' arrangements.

Project performance analysis

Guide to the ANAO analysis

2.18 The major dimensions of project performance reported in the PDSSs are as follows.

- *Cost performance.* The ANAO analysis includes the percentage of budget expended (Budget Expended), changes in budget since Second Pass Approval, in-year changes to budget, and in-year expenditure.
- *Schedule performance.* ANAO analysis includes historical data (as reported in previous MPRs) and limited aggregated analysis based on published Defence information from this year's PDSSs.

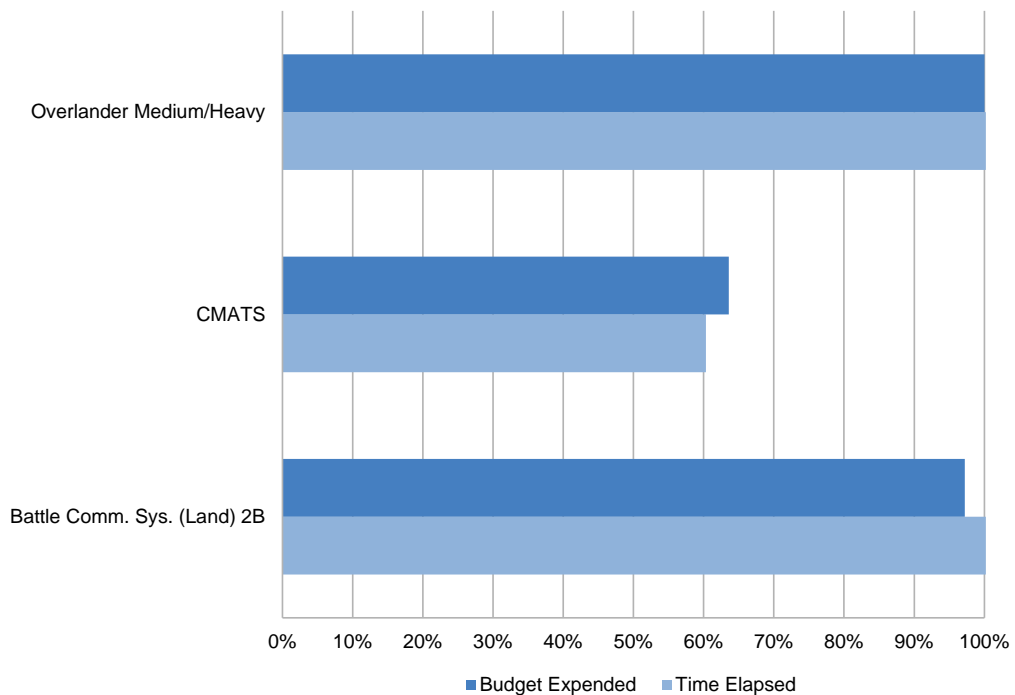
- *Capability/scope performance.* The ANAO analysis includes reporting on the challenges faced by Defence in the delivery of materiel capability/scope.

Cost performance

2.19 Figure 2.5 directly compares cost performance with schedule performance through two metrics, Budget Expended and Time Elapsed.¹⁵³ Figure 2.5 relates to the projects, which have reported an FOC date in their PDSS for 2023–24.

2.20 As discussed in paragraph 2.5, 18 projects have not disclosed FOC dates in their PDSS in 2023–24. As such, in Figure 2.6, the Time Elapsed metric is not available for these projects. Figure 2.6 reports only on Budget Expended for these projects.

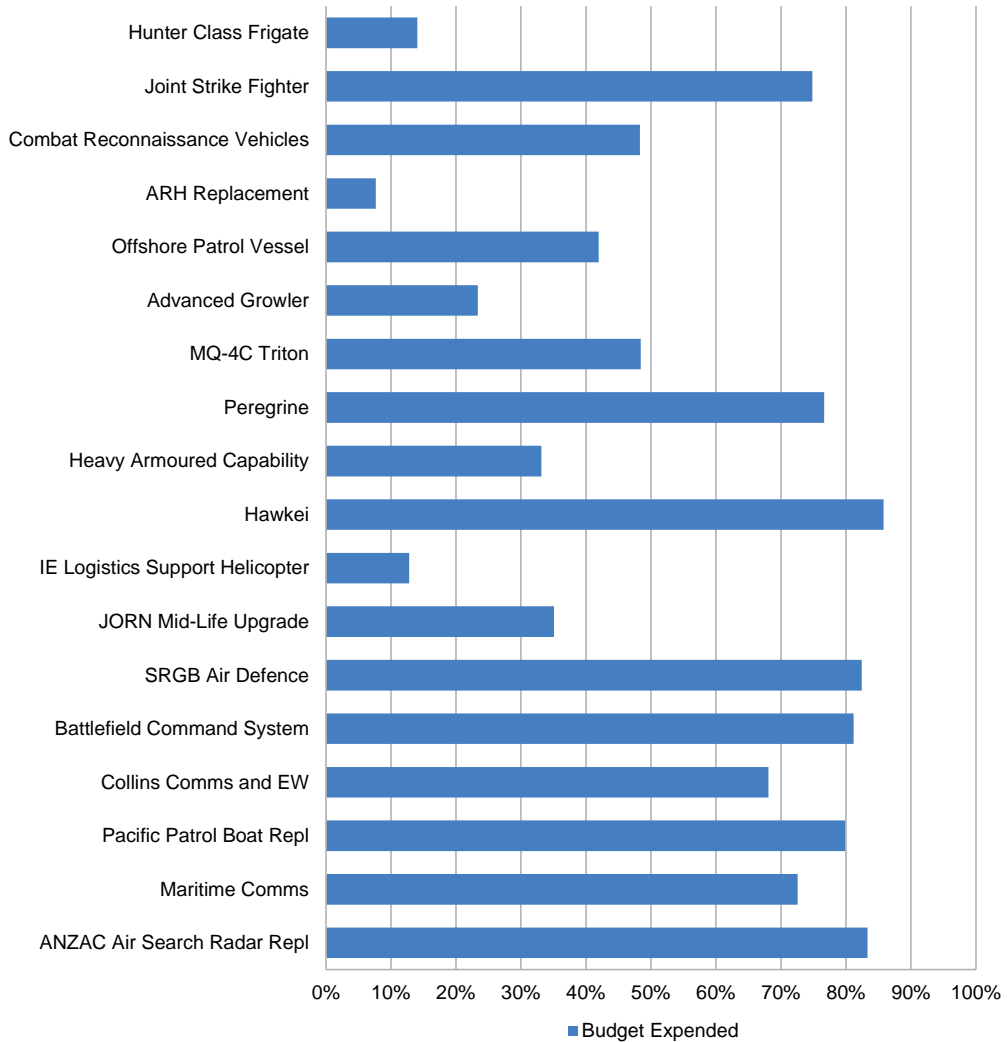
Figure 2.5: Budget Expended and Time Elapsed at 30 June 2024 (for projects that have included FOC forecast date in their PDSS)



Source: ANAO analysis of Defence's 2023–24 PDSSs.

¹⁵³ A project's budgeted cost and schedule data is presented at 30 June 2024, and may differ from originally approved budgets and schedules.

Figure 2.6: Budget Expended at 30 June 2024 (for projects that have not included FOC forecast date in their PDSS)



Note: Defence has decided to not publish FOC forecast dates in 16 PDSSs due to NFP considerations (Joint Strike Fighter, Combat Reconnaissance Vehicles, ARH Replacement, Offshore Patrol Boats, Advanced Growler, Peregrine, Heavy Armoured Capability, MQ-4C Triton, IE Logistics Support Helicopter, SRGB Air Defence, JORN Mid-Life Upgrade, Battlefield Command System, Maritime Comms, Collins Comms and EW, Pacific Patrol Boat Repl, and ANZAC Air Search Radar Repl).

Hunter Class Frigate project did not have an FOC milestone approved by government at 30 June 2024 and Hawkei FOC was in negotiations with contractors as a result of changes resulting from the Defence Strategic Review.

Source: ANAO analysis of Defence’s 2023–24 PDSSs.

2.21 Where Budget Expended is materially lagging Time Elapsed, the project schedule may be at risk — i.e. expenditure lags may indicate delays in milestone achievement. Where Budget Expended leads Time Elapsed, the project budget may be at risk — i.e. expenditure increases may indicate real cost increases. In each case of material variance between Budget Expended and Time Elapsed, the

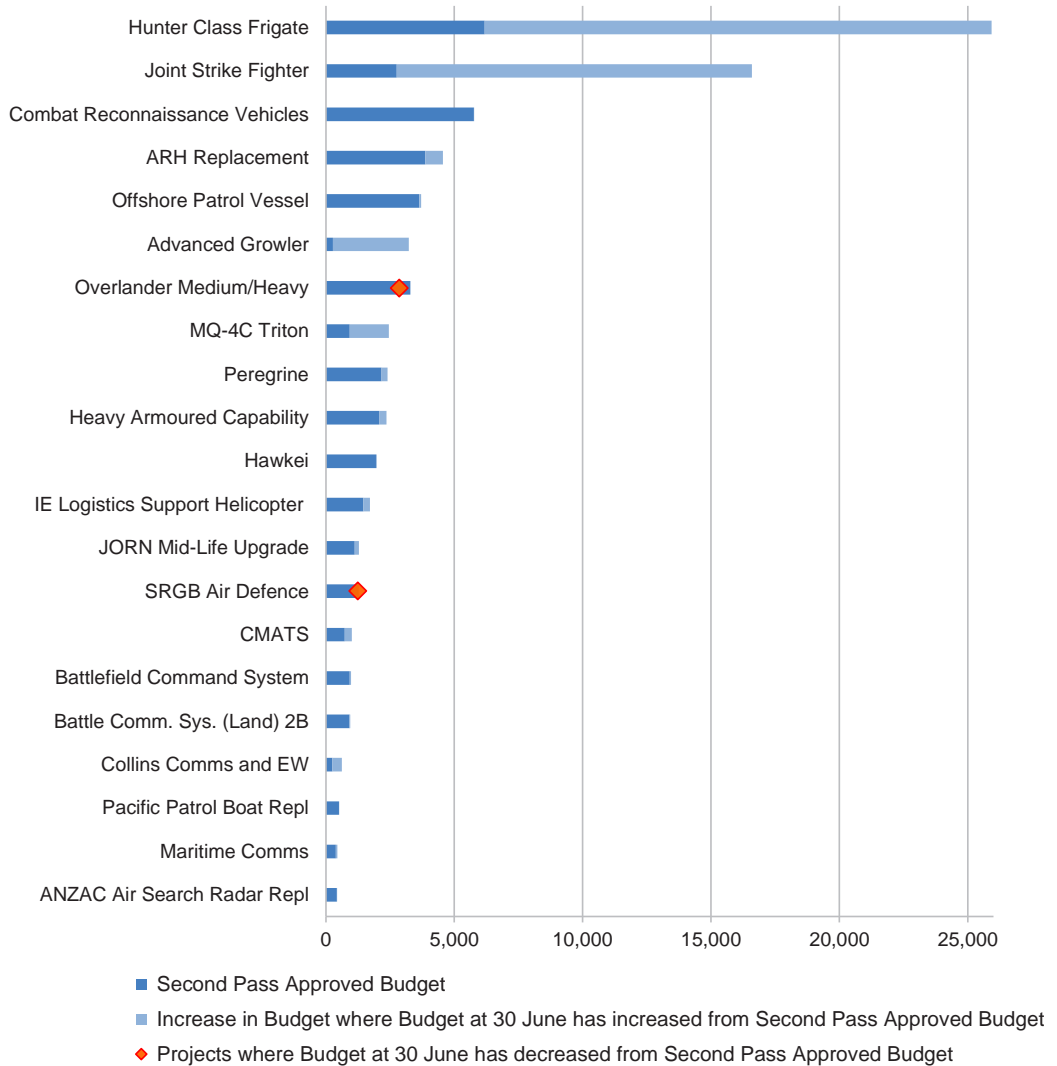
performance information highlights projects that may require further attention. This is to ensure that unspent funds are returned to the Defence budget for re-allocation in a timely manner, the timing of key deliverables remains in focus, or planning focuses on bringing together all elements in a timely manner, as equipment is delivered.

Approved budget at initial Second Pass Approval and at 30 June 2024

2.22 Figure 2.7 compares each project's approved budget at initial Second Pass Approval and its approved budget at 30 June 2024. Five projects had variations of \$500 million or more (2022–23: five), with the following components:

- Hunter Class Frigate — net increase of \$19.7 billion, comprising the government approval for Batch 1 Construction in 2023–24 for the purchase of the first three ships from a total of six.
- Joint Strike Fighter — net increase of \$13.7 billion, comprising \$10.5 billion for 58 additional aircraft and enabling elements in 2013–14, \$2.8 billion for exchange rate variation and \$0.4 billion for price indexation.
- ARH Replacement — net increase of \$0.7 billion for exchange rate variation.
- Advanced Growler — increase of \$2.9 billion for project approvals to develop the Next Generation Jammer and acquire aircraft upgrades, AGM-88G missiles, electronic warfare range upgrades, and associated sustainment costs off set by a \$69.1m transfer to Defence Security and Estate Group to fund the Minimum Level of Operational Capability facilities.
- MQ-4C Triton — net increase of \$1.5 billion, comprising \$1.2 billion for additional air vehicles and \$0.2 billion for initial sustainment funding for the first seven years in 2020–21 (figures do not add precisely due to rounding).

Figure 2.7: Approved project budgets at initial Second Pass Approval and at 30 June 2024 (\$ million)



Source: ANAO analysis of Defence's 2023–24 PDSSs.

2.23 The total budget for the 21 MPR projects at 30 June 2024 was \$81.0 billion, a net increase of \$40.9 billion when compared with the approved budget at initial Second Pass Approval of \$40.1 billion.

2.24 A summary of budget variations is at Table S.4 (see page 19), and a more detailed analysis of these budget variations is included in Table 2.1.

Table 2.1: Budget variations post initial Second Pass Approval by variation type at 30 June 2024

Project	Budget at initial Second Pass Approval (\$m)	Variation type	Explanation of variation	Year/s of variation	Variation amount (\$m)
Hunter Class Frigate	6,183.9	Budget transfer/Government Second Pass Approval June 2024 (Batch 1 Construction)	Funding transfers between CASG and other areas of Defence, and new Second Pass Approval (Batch 1 Construction)	2019–20 2021–22 2022–23 2023–24	19,661.6
Joint Strike Fighter	2,751.6 (Stage 1)	Scope increase/Budgetary Adjustments/Transfer	58 additional aircraft (Stage 2 Second Pass Approval) offset by minor transfers	2013–14 2017–18 2022–23	10,473.1
Advanced Growler	271.1	Scope Increase/Transfer	Next Generation Jammer development and acquisition of aircraft upgrades, AGM-88G missiles and electronic warfare range upgrades, and associated sustainment costs (Interim Pass Approval and Tranche 1 Second Pass Approval) offset by transfers between CASG and other areas of Defence	2019–20 2021–22 2022–23	2,878.4
Overlander Medium/Heavy	2,549.2	Real Cost Increase ^a /Scope/Budgetary adjustment	Project supplementation (\$684.2m) and additional vehicles, trailers and equipment (\$28.0m) at Revised Second Pass Approval Budgetary Adjustment (-\$366.9m)	2013–14 2018–19 2023–24	145.3
MQ-4C Triton	924.9	Scope increase/Budget Transfer/Real cost decrease/Budgetary adjustment	Three additional aircraft across multiple approvals approval for initial sustainment funding, and minor transfers and budgetary adjustment	2017–18 2018–19 2019–20 2020–21 2021–22 2022–23 2023–24	1,426.8
Peregrine	2,166.3	Budgetary adjustment	Minor transfers and corrections	2018–19 2021–22 2022–23 2023–24	59.2
JORN Mid-Life Upgrade	1,117.9	Scope increase/Budget	Budgetary Adjustment for High Power Amplifier	2020–21	167.7

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Project	Budget at initial Second Pass Approval (\$m)	Variation type	Explanation of variation	Year/s of variation	Variation amount (\$m)
		Transfer/Budgetary adjustment	Replacement Project and other minor adjustments, transfers and scope increases	2021–22 2022–23 2023–24	
CMATS	731.4	Real Cost Increase/ Budgetary Adjustment/Budget Transfer	Real Cost Increase and transfer of Air Force budget to the project, offset by minor transfers	2017–18 2021–22 2022–23	274.9
Battle Comm. Sys. (Land) 2B	915.7	Transfer	Minor transfer of remaining funds returned to the project	2022–23	1.0
Collins Comms and EW	247.7 (Stage 1)	Scope increase/Budgetary Adjustment	Additional capability (Stage 2 Second Pass Approval) and minor adjustment	2016–17 2020–21	353.9
Pacific Patrol Boat Replacement	504.5	Transfer	Transfer of funding to Naval Shipbuilding and Sustainment Group for acquisition of Vessel 22	2023–24	14.2

Note a: Described by Defence as 'project supplementation'. Refer to Note c of Table S.4 (p. 19).

Note: Some projects have multiple Second Pass Approvals. This table reports on variations since the first, i.e. initial, Second Pass Approval.

Projects that have had no Real Variations to their budget do not appear in this table. They were: Combat Reconnaissance Vehicles, Offshore Patrol Vessel, Hawkei, SRGB Air Defence, Battlefield Command System, Pacific Patrol Boat Repl., Maritime Comms and ANZAC Air Search Radar Repl. For a definition of 'Real Variations' see the 2022–23 MPR Guidelines in Part 4 of this report.

Source: ANAO analysis of Defence's 2023–24 PDSSs.

Budget performance

2.25 The following figures and tables illustrate the budget performance of the 21 selected projects by way of:

- in-year budget variations by project (see Table 2.2); and
- expenditure forecasting performance against actual expenditure for 2023–24 (see Figure 2.8 on page 67).

In-year budget variance analysis

2.26 Table 2.2 sets out the in-year budget variations for each project. Overall, the approved budget for the selected projects at 30 June 2024 increased by \$19,930.1 million (32.6 per cent increase) compared with their approved budget at 30 June 2023. This was driven by a net real increase of \$19,098.4 million and exchange rate variation of \$831.7 million.

2.27 Exchange rate variations result from a project's exposure to foreign currencies, predominantly the United States dollar and the Euro, and movements in exchange rates against the

Australian dollar.¹⁵⁴ Budget adjustments aim to maintain the relative buying power of the project budget.

2.28 The five projects with larger movements in foreign exchange in 2023–24 were:

- Combat Reconnaissance Vehicles — increase of \$117.4 million, or 2.1 per cent;
- ARH Replacement — increase of \$94.5 million, or 2.5 per cent;
- Advanced Growler — increase of \$91.2 million, or 2.8 per cent;
- Heavy Armoured Capability — increase of \$76.6 million, or 3.4 per cent; and
- IE Logistics Support Helicopter — increase of \$62.0 million, or 4.2 per cent.

2.29 Real Variations¹⁵⁵ primarily reflect changes in the scope of projects, transfers between projects for approved equipment/capability and budgetary adjustments such as administrative savings decisions. The two projects with material Real Variations in 2023–24 were:

- Hunter Class Frigate — \$19,680.6 million for Second Pass Approval of Batch 1 Construction for the first of three ships; and
- Overlander — a reduction of \$536.9 million for the transfer of funding the remaining capability to LAND 121 Phase 5B.

Table 2.2: In-year (2023–24) budget variations by project

Project	Approved Budget 2022–23 \$m	Approved Budget 2023–24 \$m	In-year Exchange Variation \$m	In-year Real Variation \$m	Total Variance \$m	Total Variance (per cent)
Hunter Class Frigate	6,148.2	25,924.0	95.2	19,680.6	19,775.8	321.7
Joint Strike Fighter	16,424.6	16,589.1	164.5	0.00	164.5	1.0
Combat Reconnaissance Vehicles	5,657.3	5,774.7	117.4	0.0	117.4	2.1
ARH Replacement ^a	4,465.9	4,560.4	94.5	0.0	94.5	2.1
Offshore Patrol Vessel	3,664.1	3,704.8	40.7	0.0	40.7	1.1
Overlander Medium/Heavy	3,399.7	2,862.9	0.0	(536.9)	(536.9)	(15.8)

154 Department of Finance, Australian Government foreign exchange risk management – guidelines for entities – Resource Management Guide (RMG) 120, Canberra, 2021, <https://www.finance.gov.au/sites/default/files/2021-05/RMG120%20Foreign%20exchange%20risk%20mngt%20final%202021.pdf>, paras. 17 and 49 [accessed 18 October 2024].

155 Real Variations include ‘Scope’ changes attributable to changes in requirements by Defence and government; ‘Transfers’ which occur when a portion of the budget and corresponding scope is transferred to or from another approved project or sustainment product in Defence; ‘Budgetary Adjustments’ made to account for corrections resulting from foreign exchange or indexation accounting estimation errors; ‘Real Cost Increases’, where funds have been approved by government to increase the project budget (generally without a change in scope); and ‘Real Cost Decreases’, where funds have been handed back to the Defence portfolio.

Project	Approved Budget 2022–23 \$m	Approved Budget 2023–24 \$m	In-year Exchange Variation \$m	In-year Real Variation \$m	Total Variance \$m	Total Variance (per cent)
Advanced Growler	3,200.1	3,222.2	91.2	(69.1)	22.1	0.7
Peregrine	2,360.2	2,394.8	18.5	16.0	34.5	1.5
Heavy Armoured Capability	2,283.0	2,359.6	76.6	0.0	76.6	3.4
MQ-4C Triton	2,403.7	2,447.7	47.9	(3.9)	44.0	1.8
Hawkei	1,971.5	1,976.0	4.5	0.0	4.5	0.2
IE Logistics Support Helicopter ^a	1,648.4	1,710.4	62.0	0.0	62.0	3.8
SRGB Air Defence	1,232.8	1,241.1	8.3	0.0	8.3	0.7
JORN Mid-Life Upgrade	1,288.0	1,285.6	0.0	(2.5)	(2.5)	(0.2)
CMATS	1,010.0	1,010.0	0.5	0.0	0.5	0.0
Battlefield Command System	971.4	972.5	1.1	0.0	1.1	0.1
Battle Comm. Sys. (Land) 2B	947.4	948.6	1.2	0.0	1.2	0.1
Collins Comms and EW	614.2	616.1	1.9	0.0	1.9	0.3
Pacific Patrol Boat Repl	502.9	517.5	0.3	14.2	14.5	2.9
Maritime Comms	436.4	441.8	5.4	0.0	5.4	1.2
ANZAC Air Search Radar Repl	429.5	429.4	0.0	0.0	0.0	0.0
Total	61,059.3	80,989.2	831.7	19,098.4	19,930.1	32.6

Note a: ARH Replacement and IE Logistics Support Helicopter were not reported in the MPR for 2022–23.

Source: ANAO analysis of Defence's 2022–23 and 2023–24 PDSSs, and Defence records in relation to 2022–23 data for ARH Replacement and IE Logistics Support Helicopter.

In-year forecast and actual expenditure

2.30 Accurately forecasting and managing budget expenditure is a key element in the management of a portfolio of projects. Figure 2.8 sets out the key expenditure forecasting performance of each project against actual expenditure in 2023–24, on a dollar basis. Figure 2.9 presents this information as a percentage. Table 2.3 provides further detail on each project's in-year forecast expenditure performance compared with actual expenditure, in both dollars (\$million) and as a percentage.

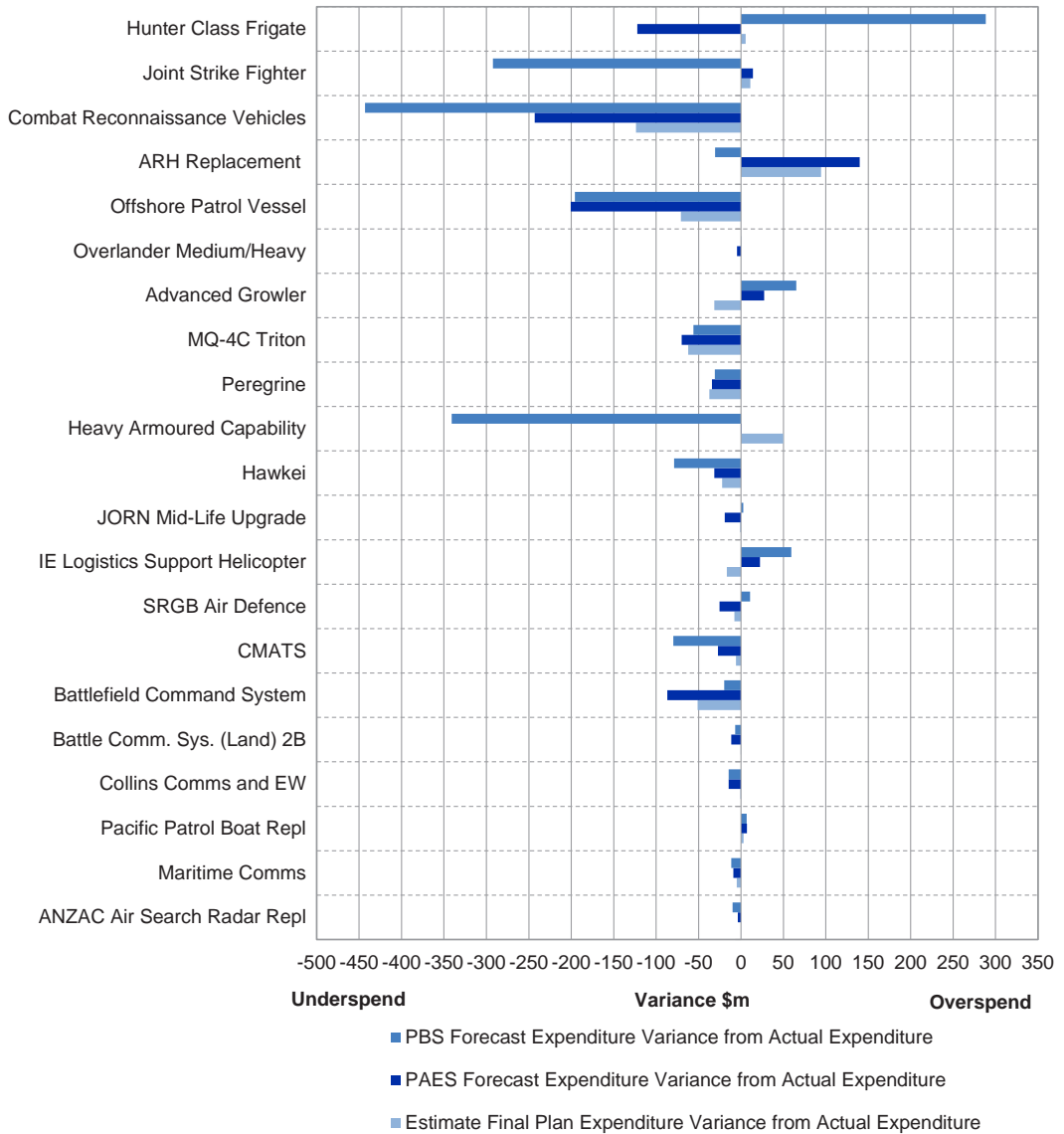
2.31 In total, actual in-year expenditure for the 21 Major Projects at 30 June 2024 was \$4,482.1 million. This is compared against an initial Portfolio Budget Statements (PBS) forecast expenditure

of \$5,658.9 million, a mid-year Portfolio Additional Estimates Statements (PAES) forecast of \$5,174.1million, and a final forecast of \$4,754.5 million (Final Plan, approved at June 2024).

2.32 The PDSSs report that the significant variances outlined in Figure 2.8, Figure 2.9 and Table 2.3 reflect the developments listed below.

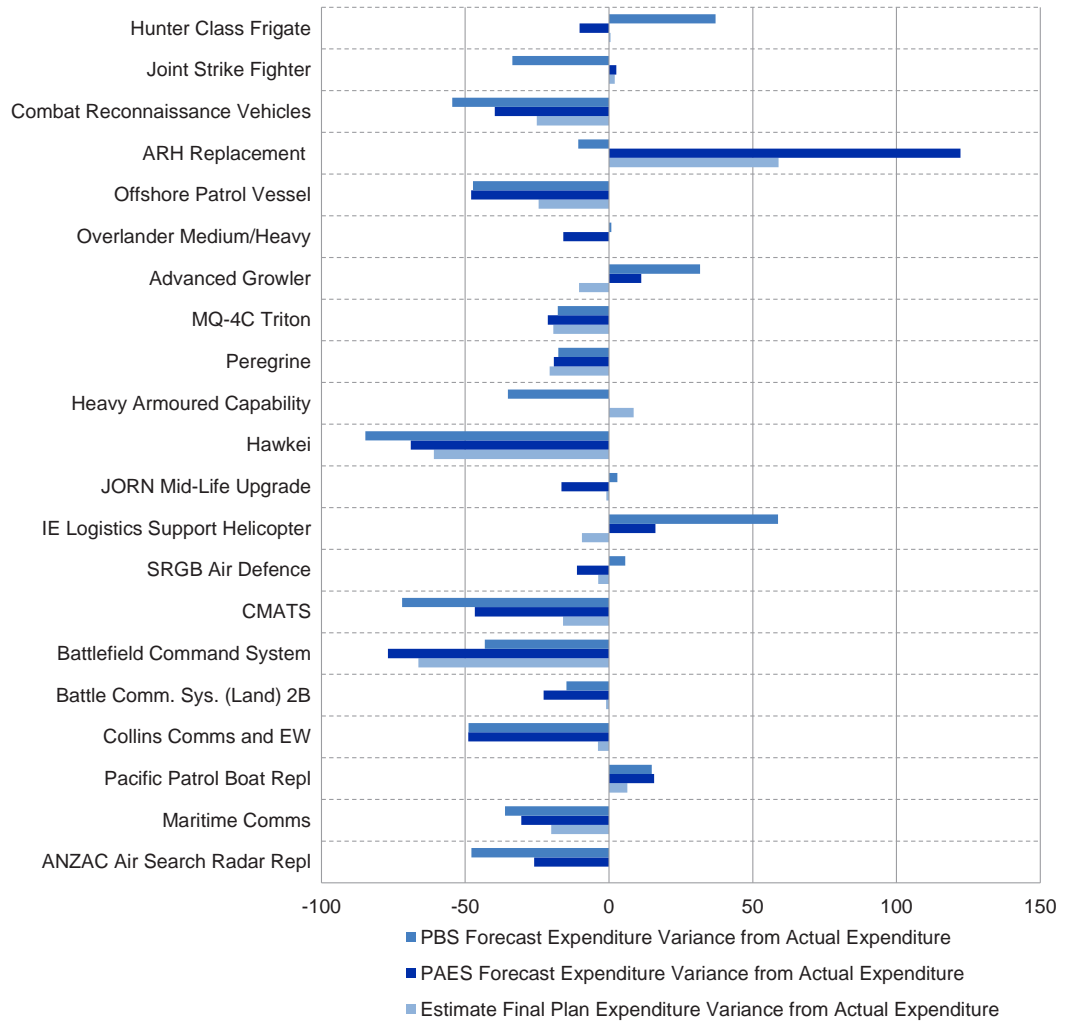
- Hunter Class Frigates (expenditure of \$1,068.2 million compared with \$779.6 million PBS, \$1,190.5 million PAES and \$1,062.8 million Final Plan estimates) — the increase from the PBS budget is due to additional Head Contract requirements relating to the Schedule Protection Blocks; increase in forecasted FMS disbursements; increase in Towed Array Sonar expenditure for long lead-time items to meet schedule; and increase in foreign exchange adjustments.
- Joint Strike Fighter (expenditure of \$577.7 million compared with \$870.0 million PBS, \$563.5 million PAES and \$566.6 million Final Plan estimates) — the reduction from the PBS budget is attributed to the Air Force approved acceleration of the planned Air Vehicle procurement program in 2022–2023, which drove a corresponding decrease in 2023–2024. Other reductions in budget costs resulted from weapons/equipment delivery delays, Memorandum of Understanding administration and components being transferred to sustainment, and reduction in spares costs.
- Combat Reconnaissance Vehicles (expenditure of \$369.3 million compared with \$812.3 million PBS, \$612.5 million PAES and \$492.9 million Final Plan estimates) — the decrease from the PBS budget is primarily due to a combination of production and manufacturing delays in Europe, the impact of COVID-19 on supply chains in both Europe and Australia, and foreign exchange movements. The delays have resulted in the rescheduling of contract milestones, including integration activities, and deliveries for equipment and spares. The underspend against the PAES and Final Plan budget is reported as reflecting delays to prime contract milestones, delivery of radio equipment, active protection system development, remote weapon station design, testing and development and other contract delays.
- ARH Replacement (expenditure of \$254.5 million compared with \$285.1 million PBS, \$114.5 million PAES and \$160.1 million Final Plan estimates) — the decrease from the PBS budget to PAES is due to the request triggered by the Defence Strategic Review to move money into the outer years. The overspend from the PAES budget to actual expenditure is primarily due to higher than projected FMS expenditure due to the maturity and visibility of expected expenditure within the FMS case.
- Offshore Patrol Vessel (OPV) (expenditure of \$218.2 million compared with \$413.8 million PBS, \$418.8 million PAES and \$289.0 million Final Plan estimates) — the decrease from the PAES to final plan is primarily due to ships construction delay relating to OPV 1 and OPV 2 acceptance and delay in delivery of the Support System.
- Heavy Armoured Capability (expenditure of \$629.8 million compared with \$970.8 million PBS, \$629.2 million PAES and \$580.0 million Final Plan) — the decrease from PBS budget is attributed to a change in FMS disbursements and re-programming forward estimates while the overspend from the estimate final plan is primarily due to the timing of disbursements relating to the FMS projects with the United States Government and the bringing forward of elements relating to simulation and training.

Figure 2.8: In-year (2023–24) forecast expenditure performance compared with actual expenditure (\$m)



Source: ANAO analysis of Defence’s 2023–24 PDSSs and Defence Portfolio Budget Statements.

Figure 2.9: In-year (2023–24) forecast expenditure performance compared with actual expenditure (%)



Source: ANAO analysis of Defence's 2023–24 PDSSs and Defence Portfolio Budget Statements.

Table 2.3: In-year (2023–24) forecast expenditure performance compared with actual expenditure (\$million and %)^a

Project	Estimate Final Plan Expenditure Variance from Actual Expenditure		PAES Forecast Expenditure Variance from Actual Expenditure		PBS Forecast Expenditure Variance from Actual Expenditure	
	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)
ANZAC Air Search Radar Repl	0.0	0.0	-3.8	-26.0	-9.9	-47.8
Maritime Comms	-5.1	-20.1	-8.9	-30.5	-11.5	-36.2
Pacific Patrol Boat Repl	3.1	6.4	7.0	15.7	6.7	14.9
Collins Comms and EW	-0.6	-3.8	-14.5	-49.0	-14.4	-48.8
Battle Comm. Sys. (Land) 2B	-0.4	-1.0	-11.5	-22.7	-6.8	-14.8
Battlefield Command System	-51.2	-66.3	-86.7	-76.9	-19.8	-43.2
CMATS	-5.9	-16.0	-27.1	-46.6	-79.7	-72.0
SRGB Air Defence	-7.9	-3.8	-25.3	-11.2	10.7	5.6
IE Logistics Support Helicopter	-16.7	-9.4	22.3	16.1	59.4	58.8
JORN Mid-Life Upgrade	-0.9	-0.9	-19.0	-16.5	2.7	2.9
Hawkei	-22.1	-60.9	-31.5	-68.9	-78.7	-84.7
Heavy Armoured Capability	49.8	8.6	0.6	0.1	-341.0	-35.1
Peregrine	-37.4	-20.6	-34.3	-19.2	-30.8	-17.6
MQ-4C Triton	-62.1	-19.3	-70.0	-21.3	-56.2	-17.8
Advanced Growler	-31.5	-10.4	27.3	11.2	65.2	31.7
Overlander Medium/Heavy	0.0	0.0	-4.7	-15.9	0.2	0.8
Offshore Patrol Vessel	-70.8	-24.5	-200.6	-47.9	-195.6	-47.3
ARH Replacement	94.4	59.0	140.0	122.3	-30.6	-10.7

Project	Estimate Final Plan Expenditure Variance from Actual Expenditure		PAES Forecast Expenditure Variance from Actual Expenditure		PBS Forecast Expenditure Variance from Actual Expenditure	
Combat Reconnaissance Vehicles	-123.6	-25.1	-243.2	-39.7	-443.0	-54.5
Joint Strike Fighter	11.1	2.0	14.2	2.5	-292.3	-33.6
Hunter Class Frigate	5.4	0.5	-122.3	-10.3	288.6	37.0
Total	-272.4	-5.7	-692.0	-13.4	-1176.8	-20.8

Note a: A negative figure represents an underspend.

Source: ANAO analysis of Defence's PDSSs across multiple years.

Stop payments and liquidated damages

2.33 In 2023–24, two projects enforced stop payments and one received liquidated damages. These were:

- Offshore Patrol Vessel — enforced stop payments due to the late delivery of the support system for the Offshore Patrol Vessels;
- Hawkei — received liquidated damages through the provisions of the contract through goods and services in kind, reductions to milestone payments and a credit note; and
- Battlefield Command System — enforced stop payments due to an inability to achieve system acceptance.

2.34 Terms used by Defence in the PDSSs to reference stop payments or liquidated damages were:

- stop payments or suspension of payments; and
- liquidated damages or compensation.

Schedule performance

2.35 Final Operational Capability (FOC) is the key milestone that forms the basis for the majority of the ANAO's schedule analysis, including aggregate analysis of total schedule slippage across projects, average schedule slippage across projects, and in-year schedule slippage across projects.

2.36 As discussed in paragraphs 25 and 61, in 2023–24, 18 of the 21 Major Projects (85.7 per cent) either did not disclose an FOC forecast date in their PDSS (16 projects) or did not have a settled FOC date (two projects).¹⁵⁶

2.37 As discussed in paragraph 2.6, the ANAO is in a position to publish aggregate analysis on: total schedule slippage across this year's projects, average schedule slippage across this year's projects, and in-year schedule slippage across this year's projects (also see paragraph 25 and Table S.7). At 30 June 2024, the aggregate schedule performance for the 21 Major Projects were (also see paragraph 63).

¹⁵⁶ Defence defines FOC as: 'The capability state relating to the in-service realisation of the final subset of a capability system that can be employed operationally.'

- Total schedule slippage was 442 months when compared to the initial schedule (2022–23: 453 months). This represents a 21 per cent increase since Second Pass Approval.
- Average schedule slippage per project was 25 months (2022–23: 25 months), representing a six per cent increase since Second Pass Approval.
- In-year schedule slippage totalled 96 months (2022–23: 101 months), representing a four per cent increase since Second Pass Approval, and a decrease of five months from the prior year.

2.38 Historical Defence data, presented from paragraphs 2.39 to 2.55 (see paragraph 63 for summary analysis), indicates that schedule performance continues to be an issue in delivering and sustaining Defence equipment and capability. Project schedule slippage can have the effect of introducing or exacerbating a capability gap or requiring an extension to the planned withdrawal date for those platforms being replaced.¹⁵⁷

Schedule slippage and acquisition category by approval date

2.39 The ANAO compared historical project slippage against the Acquisition Category (ACAT), as these categories are a general indicator of the difficulty associated with the procurement process. Prima facie, the more strategic, complex and technical in nature a project is, the greater the schedule risk and therefore the greater the need for more robust planning by Defence.^{158 159}

2.40 Defence grades projects into one of four (ACAT) acquisition categories.¹⁶⁰

- ACAT I projects are major capital acquisitions in the Integrated Investment Program that are Defence's most strategically significant. They are characterised by very high project and schedule management complexity and very high levels of technical difficulty, operating, support and commercial arrangements.
- ACAT II projects are major capital acquisitions in the Integrated Investment Program that are strategically significant to Defence. They are normally characterised by high levels of complexity in several of the following categories: project and schedule management complexity, technical difficulty, operating, support arrangements and commercial arrangements.
- ACAT III projects are major or minor capital equipment acquisitions that have a moderate strategic significance to Defence. They are normally characterised by moderate levels of complexity in several of the following categories: project and schedule management

157 Extensions to planned withdrawal dates may involve additional costs relating to the maintenance and servicing of equipment.

158 The *Defence Procurement Review 2003*, also known as the Kinnaird Review, observed that off-the-shelf equipment can usually be delivered faster than equipment requiring development, and proposed that off-the-shelf alternatives must be one of the options put to government when seeking approval to procure a capability. See M Kinnaird, *Defence Procurement Review 2003*, Department of Defence, Canberra, 2003. The Kinnaird Review was examined in Auditor-General Report No.6 2013–14 *Capability Development Reform*.

159 The 2015 *First Principles Review* identified technical risk as the major cause of post Second Pass Approval schedule slippage and observed that schedule slippage causes cost escalation. See D Peever, *First Principles Review: Creating One Defence*, Department of Defence, Canberra, 2015, p. 34 and p. 92. Defence's implementation of the First Principles Review was examined in Auditor-General Report No.34 2017–18 *Defence's Implementation of the First Principles Review*.

160 Department of Defence, *CASG Manual (PM) 002 - Project Management in Defence Version 5*, pp. 2 to 13, para. 2.47.

complexity, technical difficulty, operating, support arrangements and commercial arrangements.

- ACAT IV projects are major or minor capital equipment acquisitions that have a lower level of strategic significance to Defence. They are normally characterised by low levels of complexity in several of the following categories: project and schedule management complexity, technical difficulty, operating, support arrangements and commercial arrangements.

ANAO analysis based on acquisition category level

2.41 Table 2.4 provides information on the ACAT level of all 61 Major Projects included in the MPR since its inception, and the year of approval (generally Second Pass) for each Major Project. In summary:

- ACAT I — 14 projects (23 per cent);
- ACAT II — 33 projects (54 per cent);
- ACAT III — 13 projects (21 per cent); and
- ACAT IV — 1 project (2 per cent).

Table 2.4: Project year of approval and acquisition category

Project	Year of approval	Acquisition category (ACAT)
HF Modernisation	1996	ACAT II
Hornet Upgrade	1998	ACAT II
Bushmaster Vehicles	1998	ACAT III
ARH Tiger Helicopters	1999	ACAT II
FFG Upgrade	1999	ACAT II
Collins R&S	2000	ACAT III
Wedgetail	2000	ACAT I
Hw Torpedo	2001	ACAT III
Collins RCS	2002	ACAT IV
Armadales	2002	ACAT III
Air to Air Refuel	2003	ACAT II
Hornet Refurb	2003	ACAT II
ANZAC ASMD 2A	2003	ACAT II
SM-2 Missile	2004	ACAT III
MRH90 Helicopters	2004	ACAT I
ANZAC ASMD 2B	2005	ACAT I
Stand Off Weapon	2005	ACAT II
C-17 Heavy Airlift	2006	ACAT III
Super Hornet	2007	ACAT II
AWD Ships	2007	ACAT I

Project	Year of approval	Acquisition category (ACAT)
LHD Ships	2007	ACAT I
Overlander Light	2007	ACAT II
Next Gen Satellite	2007	ACAT II
UHF SATCOM	2009	ACAT II
155mm Howitzer	2009	ACAT III
Joint Strike Fighter	2009	ACAT I
Battle Comm. Sys.	2009	ACAT II
Additional Chinook	2010	ACAT III
C-RAM	2010	ACAT III
MH-60R Seahawk	2011	ACAT II
LHD Landing Craft	2011	ACAT III
Battle Comm. Sys. (Land) 2A	2011	ACAT III
Light Tactical Fixed Wing	2012	ACAT II
Growler	2013	ACAT II
Maritime Comms	2013	ACAT II
Overlander Medium/Heavy	2013	ACAT I
BMS	2013	ACAT II
P-8A Poseidon	2014	ACAT II
HATS	2014	ACAT II
CMATS	2014	ACAT I
Battle Comm. Sys. (Land) 2B	2015	ACAT I
Collins Comms and EW	2015	ACAT II
Additional MRTT	2015	ACAT II
Hawkei	2015	ACAT I
Repl Replenishment Ships	2016	ACAT II
Pacific Patrol Boat Repl	2016	ACAT II
Night Fighting Equipment Repl	2016	ACAT III
Advanced Growler	2016	ACAT II
ANZAC Air Search Radar Repl	2017	ACAT II
Battlefield Command System	2017	ACAT I
Offshore Patrol Vessel	2017	ACAT II
JORN Upgrade	2017	ACAT II
Peregrine	2017	ACAT II
Combat Recon. Vehicles	2018	ACAT I

Project	Year of approval	Acquisition category (ACAT)
Hunter Class Frigate	2018	ACAT I
MQ-4C Triton	2018	ACAT II
Future Subs	2019	ACAT I
SRGB Air Defence	2019	ACAT II
Heavy Armoured Capability	2021	ACAT II
ARH Replacement	2022	ACAT II
IE Logistics Support Helicopter	2022	ACAT III

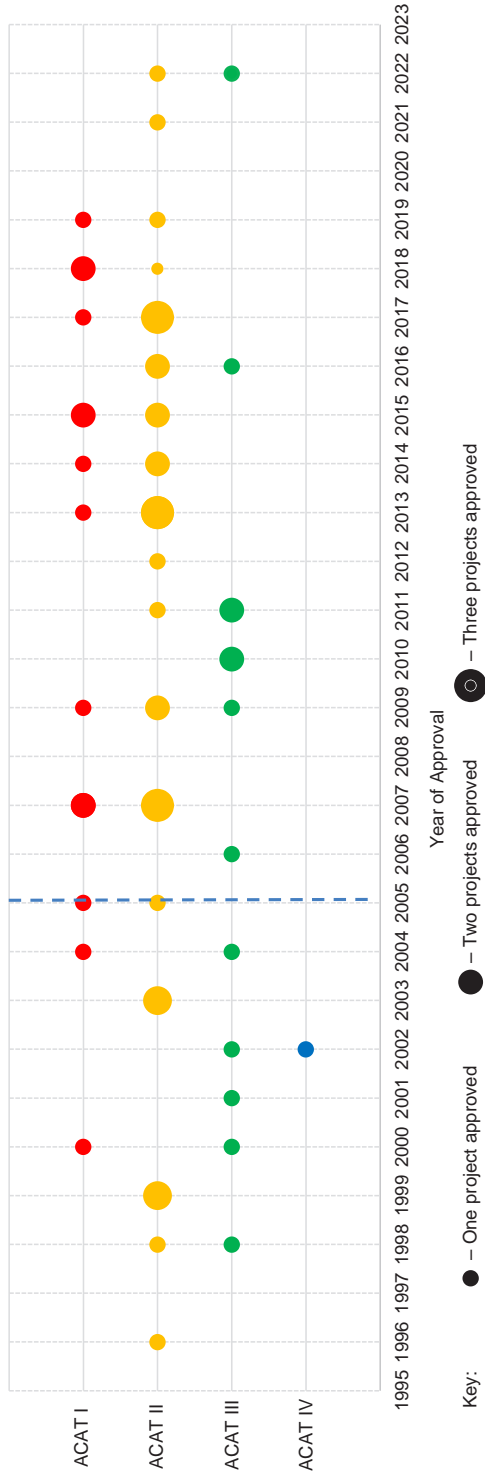
Source: ANAO analysis of Defence's PDSSs across multiple years.

2.42 Figure 2.10 illustrates the proportion of ACAT I to IV projects over time and indicates a continuing trend towards the approval of more complex projects at the ACAT I and II levels since 2013.

2.43 Of the 24 Major Projects, which have received government approval since 2013:

- ACAT I — 7 projects (29 per cent);
- ACAT II — 15 projects (63 per cent);
- ACAT III — 2 projects (8 per cent); and
- ACAT IV — Nil projects.

Figure 2.10: Categorisation (ACAT) type and year of approval^a



Key: ● – One project approved ● – Two projects approved ● – Three projects approved

Note a: Projects to the left of the dotted line were approved prior to implementation of the Kinnaird reforms in 2005. Projects to the right were approved following the reforms being implemented. The 2003 Kinnaird Review observed that off-the-shelf equipment can usually be delivered faster than equipment requiring development and proposed that off-the-shelf alternatives must be one of the options put to government when seeking approval to procure a capability.

Source: ANAO analysis of Defence's PDSSs across multiple years.

Schedule slippage by acquisition category (historical data)

2.44 Figure 2.11 illustrates total schedule slippage¹⁶¹ since Second Pass Approval for the Major Projects (ACAT I), which published FOC forecast information in 2023–24.¹⁶² There are no ACAT II projects with a published FOC forecast date in 2023–24.

2.45 Figure 2.12 illustrates total schedule slippage, up to 2020–21, for the Major Projects (ACAT I or ACAT II), which did not publish FOC forecast information in 2023–24 or 2022–23. IE Logistics Support Helicopter did not publish an FOC forecast in 2023–24 and is not included in this analysis as it is an ACAT III project.

2.46 Figure 2.11 and Figure 2.12 also group projects by acquisition category and place projects in order of government approval within their category.

2.47 Current MPR projects showing material slippage tend to be developmental in nature, including MQ-4C Triton, and CMATS.

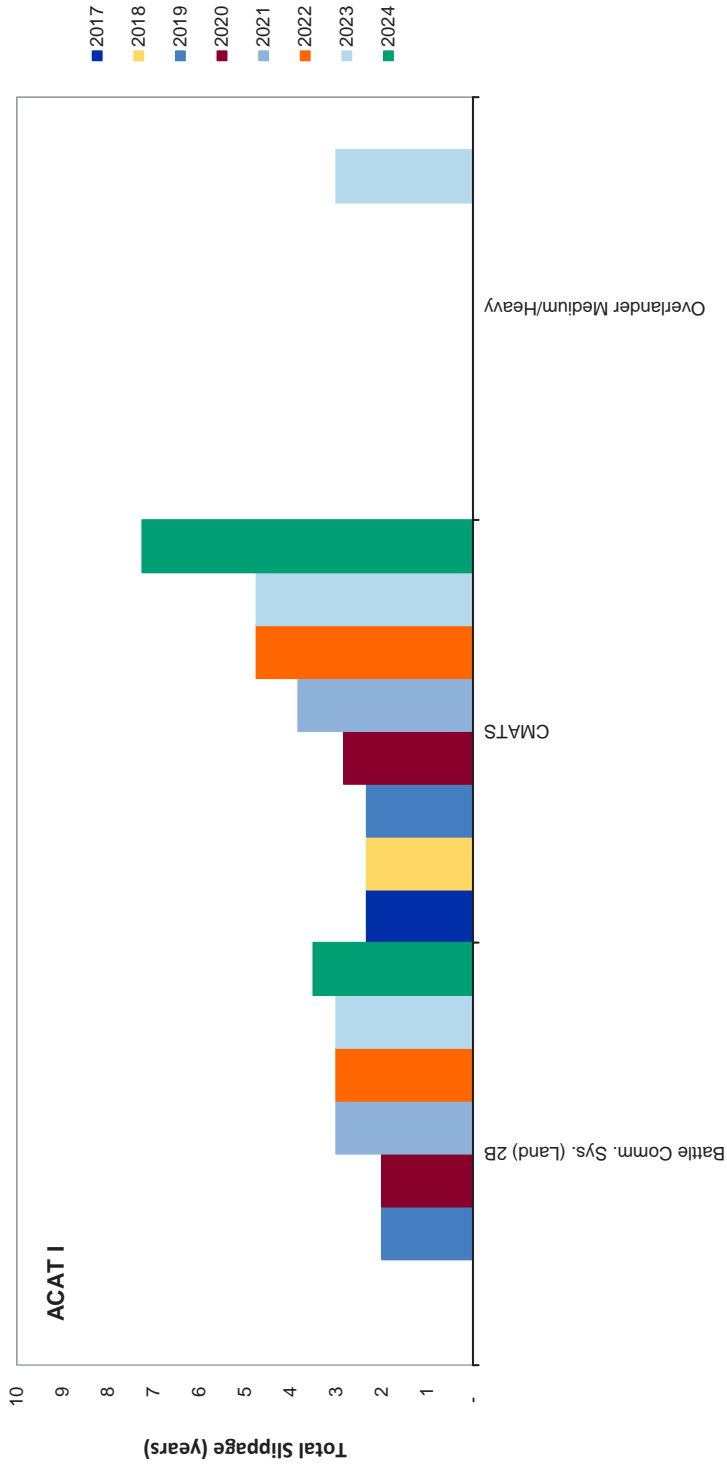
2.48 Figure 2.12 indicates that one complex (ACAT I or ACAT II) project with significant development or design activities —SRGB Air Defence — is yet to experience slippage to their FOC date. This project has experienced slippage to design reviews, test programs, or materiel release milestones.

- SRGB Air Defence has experienced delays to acceptance of the First of Type Fire Unit and the First of Type Tactical and Operational Radars. The amount of slippage has not been published by Defence in the PDSS.

161 Slippage refers to a delay in the current forecast date compared with the original government approved FOC date.

162 Two Projects did not have settled FOC dates at 30 June 2024 and are excluded from this analysis. Hunter Class Frigate project did not have an FOC milestone approved by government and Hawkei FOC was in negotiations with contractors as a result of changes resulting from the Defence Strategic Review.

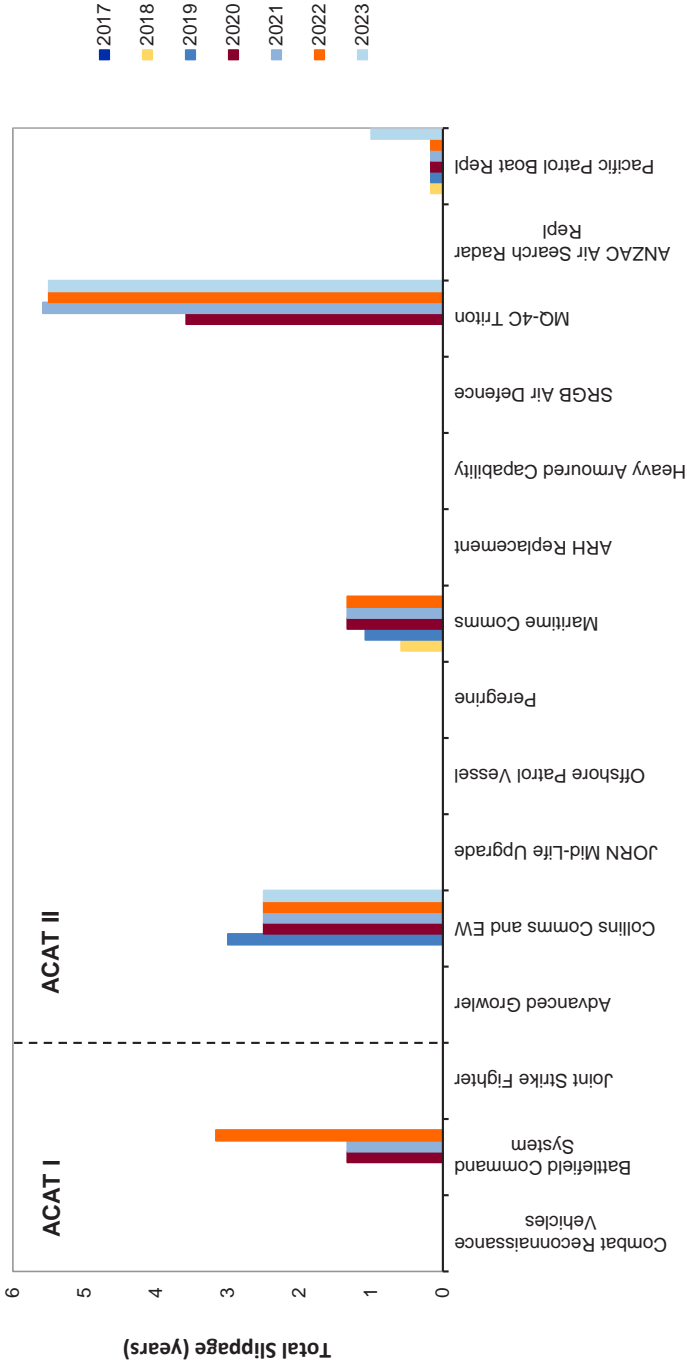
Figure 2.11: Current Major Projects (which have included an FOC date in their PDSS) — total slippage post Second Pass approval (years)^a



Note a: The order of the projects in each ACAT level is from latest to earliest approved. All project slippage relates to FOC dates. Project data is prepared based on the current final milestone to be declared, which is not FOC.

Source: ANAO analysis of Defence PDSSs in Major Projects Reports.

Figure 2.12: Current Major Projects (which have not included an FOC date in their PDSS) — total slippage post Second Pass approval (years)^{a b c d}



Note a: The order of the projects is from latest to earliest ACAT approval. All project slippage relates to the latest FOC dates disclosed in the MPR.

Note b: In 2023-24 Defence did not publish FOC dates for Joint Strike Fighter, Combat Reconnaissance Vehicles, ARH Replacement, Offshore Patrol Boats, Advanced Growler, Peregrine, Heavy Armoured Capability, MQ-4C Triton, IE Logistics Support Helicopter, SRGB Air Defence, JORN Mid-Life Upgrade, Battlefield Command System, Maritime Comms, Collins Comms and EW, Pacific Patrol Boat Repl, and ANZAC Air Search Radar Repl.

Note c: Hunter Class Frigate is excluded from this analysis as its FOC milestones was yet to be approved by Government at 30 June 2024 and Hawkei FOC is reported as TBA.

Note d: The Battlefield Command System (LAND200 Tranche 2) was excluded from the 2022-23 Major Projects Report analysis due to the Auditor-General's Qualified Conclusion. See paragraphs 2.8 to 2.9 and the *Independent Assurance Report in Part 3* of that report.

Source: ANAO analysis of Defence PDSSs in Major Projects Reports.

Original and in-year Final Operational Capability (FOC) forecasts

2.49 Up to and including the 2020–21 MPR, in this section the ANAO reported on:

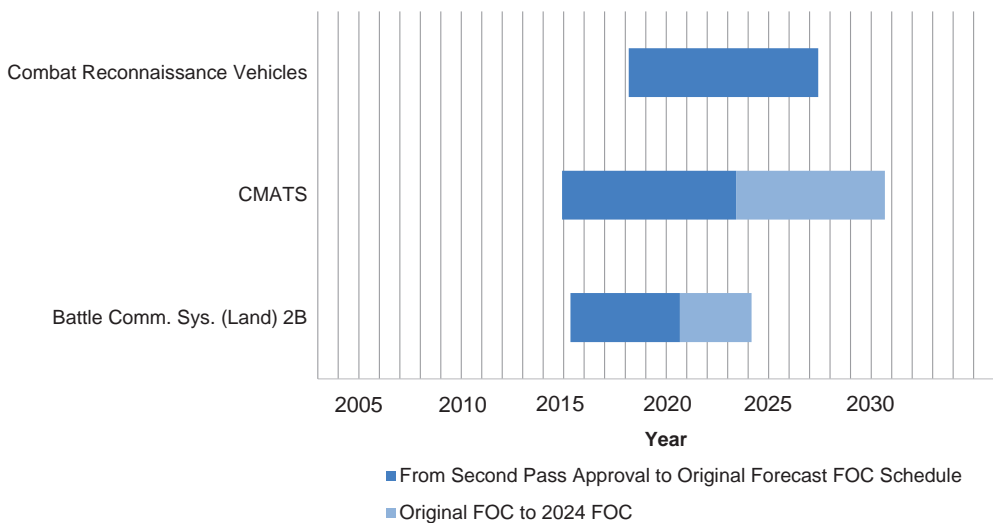
- the original and in-year forecasts for achieving FOC;
- in-year schedule changes to achieving FOC; and
- total schedule slippage across the Major Projects.

2.50 Some information is not reported this year due to the non-publication of FOC forecast information by Defence in certain PDSSs. As discussed in paragraph 2.36, in 2023–24, 18 of the 21 projects (85.7 per cent) either did not disclose the FOC forecast date in their PDSS (16 projects) or did not have a settled FOC date (two projects).¹⁶³

2.51 Figure 2.13 presents information on the original and 30 June 2024 forecasts for achieving FOC, for the three projects, which have published FOC forecast information.

2.52 Figure 2.14 presents information on the original forecasts for achieving FOC, for the projects that did not disclose FOC dates this year. There is no entry for the Hunter Class Frigate project, as it did not have an FOC milestone approved by government at 30 June 2024. There is no entry for ARH Helicopters, Advanced Growler or IE Logistics Support Helicopter as Defence has not published the original FOC forecast dates.

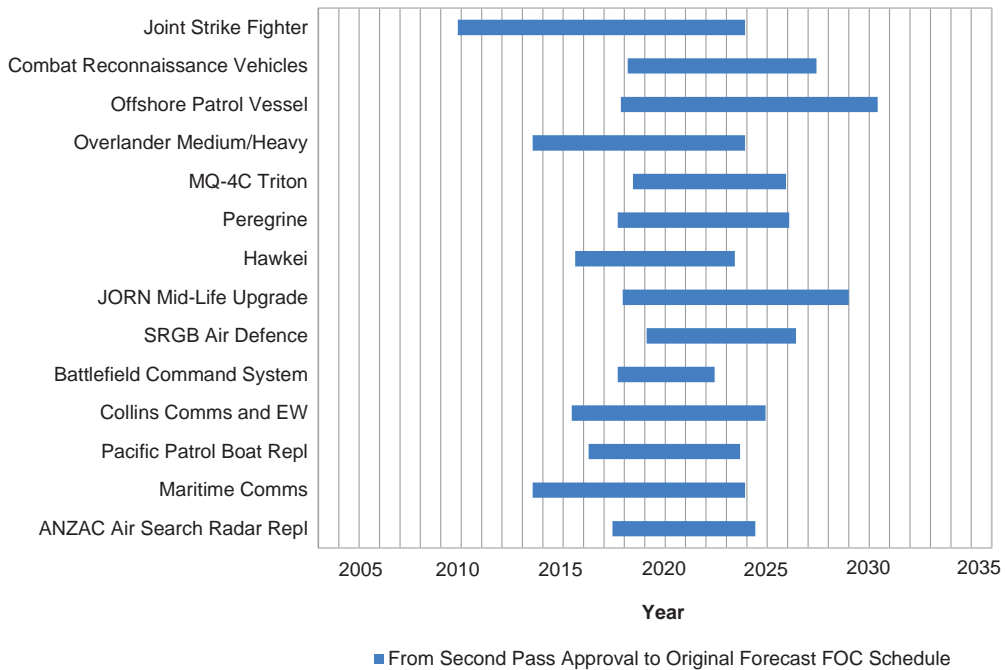
Figure 2.13: Original and 30 June 2024 Final Operational Capability (FOC) forecasts (for projects which have included FOC forecast dates in their PDSS)



Source: ANAO analysis of the 2023–24 PDSSs.

163 Defence has decided to not publish FOC forecast dates for a total of 18 projects. Of these, 16 PDSSs were due to NFP considerations (Joint Strike Fighter, Combat Reconnaissance Vehicles, ARH Replacement, Offshore Patrol Boats, Advanced Growler, Peregrine, Heavy Armoured Capability, MQ-4C Triton, IE Logistics Support Helicopter, SRGB Air Defence, JORN Mid-Life Upgrade, Battlefield Command System, Maritime Comms, Collins Comms and EW, Pacific Patrol Boat Repl, and ANZAC Air Search Radar Repl). Two Projects did not have settled FOC dates at 30 June 2024. Hunter Class Frigate project did not have an FOC milestone approved by government and Hawkei was in negotiations with contractors as a result of changes resulting from the Defence Strategic Review.

Figure 2.14: Original Final Operational Capability (FOC) forecasts (for projects which have not included FOC forecast dates in their PDSS)^{a b}



Note a: There is no entry for Hunter Class Frigates as this project did not have an FOC milestone approved by government at 30 June 2024.

Note b: There is no entry for ARH Replacement or IE Logistics Support Helicopter (projects which entered the MPR this year) or Advanced Growler (which entered the MPR in 2022–23) as these projects entered the MPR without disclosing an FOC milestone.

Source: ANAO analysis of the 2023–24 PDSSs.

2.53 The ANAO has observed, in respect to schedule slippage, the importance of initial assessments of project complexity. Experience indicates that a key factor is the overall complexity inherent in the project.¹⁶⁴ By way of example, one Major Project, MRH90 Helicopters, was originally categorised by Defence as ACAT II. This project’s category was amended by Defence to ACAT I (i.e. more complex) subsequent to Second Pass approval, and a Defence Independent Assurance Review of this project in December 2020 noted that MRH90 ‘was a developmental platform’. The project experienced slippage throughout its life before exiting the MPR in 2022–23.¹⁶⁵

164 Auditor-General Report No.6 2013–14 *Capability Development Reform*, paras. 9.1 to 9.4, pp. 198 to 199.

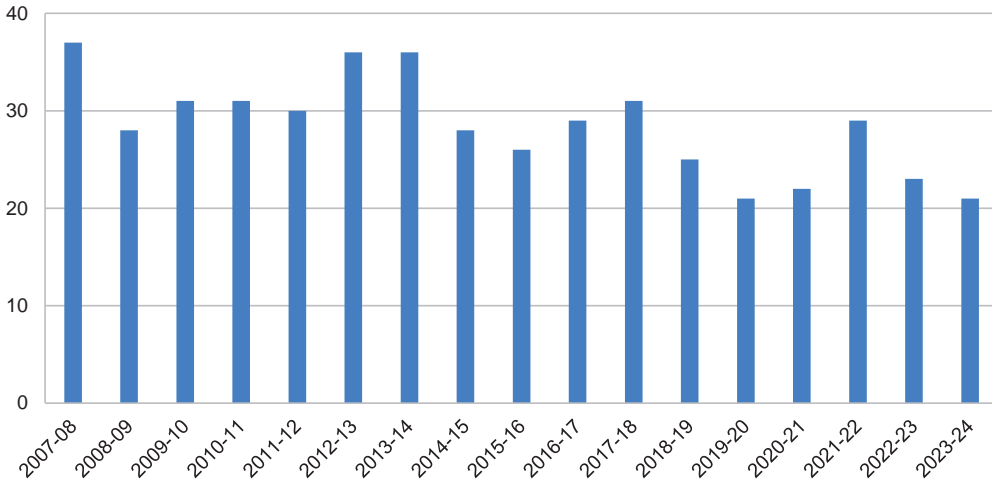
165 Further information on MRH90 Helicopters can be found in Auditor-General Report No.48 2008–09 *Planning and Approval of Defence Major Capital Equipment Projects*, pp. 84, 90 and 133; Auditor-General Report No.52 2011–12 *Gate Reviews for Defence Capital Acquisition Projects*, pp. 86 to 87 and pp. 130 to 133; and Auditor-General Report No.52 2013–14 *Multi-Role Helicopter Program*.

Similarly, government approval for acquisition of the Tiger Armed Reconnaissance Helicopter was on the basis that it was a low-risk off-the-shelf platform. The ANAO conducted a performance audit of the Tiger acquisition in 2005–06 and found that Tiger was more developmental than off-the-shelf and this heightened exposure to schedule, cost and capability risks, both for the acquisition of the aircraft and its sustainment. See: Auditor-General Report No.11 2016–17 *Tiger—Army’s Armed Reconnaissance Helicopter*, para. 2; and Auditor-General Report No.36 2005–06 *Management of the Tiger Armed Reconnaissance Helicopter Project—AIR 87*. AIR 87 Phase 2 (Armed Reconnaissance Helicopter) exited the MPR in 2017–18.

Performance against schedule

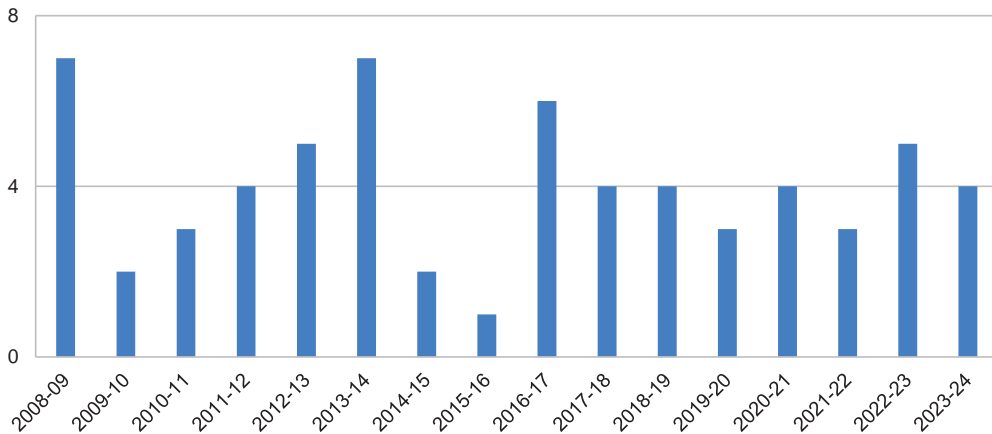
2.54 Further to paragraphs 2.35 to 2.38, the ANAO has undertaken longitudinal analysis of project slippage. Figure 2.15 and Figure 2.16 illustrate the historical percentage change in FOC forecast, compared with the FOC date at Second Pass Approval, for all projects appearing in the MPR over time.

Figure 2.15: Total percentage change in FOC forecast across all MPR projects, by reporting year



Source: ANAO analysis of Defence’s PDSSs across multiple years.

Figure 2.16: In-year percentage change in FOC forecast across all MPR projects, by reporting year



Source: ANAO analysis of Defence’s PDSSs across multiple years.

2.55 Project slippage may indicate unanticipated problems with project progress or optimism in previous forecasting, regardless of whether the delay makes the project later than originally approved by government. All slippage and delays should be monitored to ensure that a project remains on track and any issues can be managed.

Capability/scope performance

2.56 Defence defines capability as the power to achieve a desired operational effect in a nominated environment, within a specified time, and to sustain that effect for a designated period.¹⁶⁶ An operational effect is achieved by combining the nine Fundamental Inputs to Capability — organisation, command and management, personnel, collective training, major systems, facilities and training areas, supplies, support, and industry — and undertaking designated operations.¹⁶⁷

Capability/scope delivery

2.57 The 2023–24 MPR Guidelines provide that section 4 of each PDSS is to present a forecast of the materiel capability to be delivered by the acquisition project by FOC. Materiel capability is assessed as follows.

Green – a high level of confidence that the capability outcome will be met.

Amber – the capability outcome being under threat but still considered manageable and able to be met.

Red – at this stage, the capability outcome is unlikely to be fully met or where a project’s materiel capability/scope is amended, and the change represents a reduction (including transfers to other Defence projects or capabilities) in materiel capability/scope.

Blue – where a project’s materiel capability/scope is amended and the change represents an increase (including transfers from other Defence projects or capabilities) of materiel capability/scope.

2.58 Defence did not publish certain information relating to the reasons for the ‘amber’ assessment in the PDSS for the MQ-4C Triton and Peregrine projects. Defence did not publish certain information relating to the reasons for the ‘red’ assessment in the PDSS for the Overlander Medium/Heavy and Hawkei projects. The ANAO’s analysis of capability/scope assessments in PDSSs was not affected by Defence’s decision to not publish this information.

2.59 The PDSSs report that 13 Major Projects¹⁶⁸ will deliver all their key capability/scope requirements without elevated levels of risk to the achievement of requirements (2022–23: nine).

2.60 Defence’s assessment indicates that some elements of the capability/scope required may be ‘under threat’, but the risk is assessed as ‘manageable’.

2.61 Project offices reported experiencing challenges with expected capability/scope delivery for seven projects (2022–23: 10). These were: Offshore Patrol Vessel, Overlander Medium/Heavy, MQ-4C Triton, Peregrine, Hawkei, Battlefield Command System and Battle Comm. Sys. (Land) 2B.¹⁶⁹

- Five of these projects (Offshore Patrol Vessel, Overlander Medium/Heavy, Hawkei, Battlefield Command System and Battle Comm. Sys. (Land) 2B) report that they are unable to deliver all the required capability/scope.

166 Department of Defence, *Defence Capability Manual*, Defence, Canberra, 2021, p. A-2.

167 *ibid.*, pp. A-5–6.

168 The projects are Joint Strike Fighter, Combat Reconnaissance Vehicles, ARH Replacement, Advanced Growler, Peregrine, Heavy Armoured Capability, IE Logistics Support Helicopter, JORN Mid-Life Upgrade, SRGB Air Defence, CMATS, Collins Comms and EW, Maritime Comms and ANZAC Air Search Radar Repl.

169 The seven Projects disclosing values for capability percentages do not include Hunter Class Frigates. This project did not disclose quantified capability/scope information and instead includes a narrative description of the current project activities.

2.62 Table 2.5 summarises the issues reported by Defence in its PDSSs as impacting the achievement of the expected capability/scope.

Table 2.5: Issues impacting expected materiel capability/scope delivery performance in 2023–24

Project	Amber ^a %	Red ^b %	Explanation in PDSS as recorded by Defence	Delays or impacts on milestone achievement as recorded by Defence
Hunter Class Frigate ^c	N/A	N/A	<p>‘...the project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached.’</p> <p>‘In February 2024, following the Independent Analysis of the Navy’s Surface Combatant Fleet, Government committed to the build of six Hunter Class Frigates of the same configuration in two batches of three. This is an update from the previous Government’s commitment to build nine Hunter Class Frigates in three batches of three. Government has approved the build for the first three frigates and the project will return to Government for approval of the subsequent three frigates later in the decade.’</p>	<p>‘...Government agreed to defer the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This enabled Defence and BAE Systems Maritime Australia to address design maturity and develop a contractible offer for the first batch of three ships. The extended prototyping period initially included the construction of four Hunter Class Frigate Schedule Protection Blocks, in addition to the five Type 26 prototype blocks that were previously approved by Government in 2018.’</p>
Offshore Patrol Vessel	0.4	36.8	<p>‘The [Offshore Patrol Vessel] OPV weapon systems include the main gun and two 0.5 inch calibre machine guns with the Seaboats used for Constabulary Operations. Due to technical certification concerns by Navy, Luerssen Australia was directed to terminate the main gun contract with Leonardo Australia Pty Ltd and implement an interim gun solution. The interim main gun for the Arafura OPV will be the existing Navy 25mm Typhoon Mod 0 from the [Armidale Class Patrol Boats] ACPBs until a replacement gun is identified.’</p> <p>‘Due to the fleet review the project scope has been reduced from 12 to six OPVs. The</p>	<p>‘Dates for this section [Section 3.3] are under development following the Enhanced Lethality Surface Combatant Fleet Independent Analysis.’</p>

Project	Amber ^a %	Red ^b %	Explanation in PDSS as recorded by Defence	Delays or impacts on milestone achievement as recorded by Defence
			Capability Delivery Performance has been assessed as a percentage of the milestone payments associated with OPVs 7 to 12 not yet paid against the total Luerssen contract value minus the gun scope reduction assessed as 0.4 percent.'	
Overlander Medium/Heavy	0.0	11	'FOC was declared with Caveats, transferring the remaining scope (five caveats) and deliverables to LAND121 Phase 5B.'	
MQ-4C Triton	1.0	0.0	'Elements of the funded developmental capabilities are not expected to be progressed into the platform due to prioritising other capabilities.'	'Elements of the funded developmental capabilities are not expected to be progressed into the platform due to prioritising other capabilities. Further refinement of the requirements have commenced to ensure the intent of Sense and Avoid (SAA) could still be met.'
Peregrine	9.8	0.0	'Related to the capability delivery of the fourth aircraft and the delivery of the MC-55A Flight Simulation Device upgrade to Stage 2 which are considered manageable and able to be met.'	'The program has significant engineering, integration and flight test activities yet to be completed, which have the potential to result in further schedule delays.'
Hawkei	0.0	0.1	'Explanation of percentage breakdown is not for publication.'	'Defence formally advised the Government that FOC would not be achieved by June 2024, as it is contingent on Thales Australia Ltd's remediation of the current ABS Modulator and Support System issues and subsequent completion of other introduction into service activities.'
Battlefield Command System	15.6	23.9	'Aligned to the project risks in section 5 of this Project Data Summary Sheet (PDSS) the remaining areas of capability that are at risk is the installation of the LAND200-2 hardware into designated PMV-M (GW) Bushmaster and PMV-L Hawkei to enable IOC and FOC definitions to be met.'	'IOC and FOC delays were being driven by the time required to resolve commercial the issues. With these issues now addressed a new MAA will establish refined IOC/FOC definitions and the updated schedule will reflect the new plan for

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Project	Amber ^a %	Red ^b %	Explanation in PDSS as recorded by Defence	Delays or impacts on milestone achievement as recorded by Defence
			<p>'BMS [Battle Management System] and TCN [Tactical Communications Network] elements of the BCS [Battlefield Command System] capability that will not be delivered have now been defined with certainty and reflect 23.9% of the original project scope for the BCS. The project will not deliver the WINBMS [Weapons Integrated Battle Management System] capability. The 38 PMV-M [Protected Mobility Vehicle – Medium] GW [Gateway] vehicles originally within the project's scope will now be delivered by the LAND4111 Project, this will be confirmed in the updated MAA [Materiel Acquisition Agreement] and reflected in next year's PDSS. These platforms are not yet represented in this 23.9%.'</p>	<p>delivery. Many old milestones, such as the BMS and TCN activities defined prior to the resolution of the project delays are now no longer relevant to the delivery of the remaining elements of scope for the project'.</p> <p>'The forecast achievement of these milestones is expected to change as a result of the new plan to deliver the remaining BCS scope.'</p>
Battlespace Comm. Sys. (Land) 2B	0.0	1.0	<p>'The project scope for ground based TRES [Terrestrial Range Extension System] will be delivered via an acquisition project known as the MRS [Mobile Retransmission System]. This acquisition is being conducted by Land Communications and Specialist Systems SPO [System Project Office] using project funds.'</p> <p>'The Tethered TRES project scope did not proceed following the conduct of risk reduction activities.'</p> <p>'The scope of the contract was varied ..., in agreement with the Capability Manager, amending the number of HQOTM [Headquarters On The Move] vehicles from 18 to 16.'</p> <p>'Two further HQOTM vehicles will be delivered by the project via the I-BTN [Integrated Battlespace Communications System Network] Contract (Support). It is planned that this delivery will be complete by October 2024. The two remaining HQOTM vehicles will be delivered by Land</p>	<p>'Ground based TRES will be delivered via a separate acquisition activity known as the MRS. The tethered TRES project scope did not proceed following the conduct of risk reduction activities.'</p>

Project	Amber ^a %	Red ^b %	Explanation in PDSS as recorded by Defence	Delays or impacts on milestone achievement as recorded by Defence
			Communications and Specialist Systems SPO. ^c	

Note a: 'Amber' indicates that the capability/scope is under threat but considered manageable.

Note b: 'Red' indicates that the capability/scope is unlikely to be met.

Note c: This project does not report quantified capability/scope information in the PDSS as at 30 June 2024. The project has included a narrative describing its current project activities.

Source: Defence Project Data Summary Sheets.

Transfers of project scope

2.63 As part of Second Pass Approval, government directs Defence to deliver certain defined capabilities within the scope of the approved project. During a project, Defence may change the scope to be delivered, which can be approved through a revised government approval. A project's scope may be expanded or reduced and may include a budget increase or decrease for the project to deliver its revised requirements.

2.64 The 2023–24 MPR Guidelines require information on all scope transfers that have occurred across the current Major Projects to be reported in Section 1.3 of the relevant PDSS. Examples of these transfers are described in Table 2.6.

2.65 Transfers of scope were also reported by Defence in Section 2.1 of some PDSSs, either as 'Real Variation – Transfer' or 'Real Variation – Scope'. The explanatory notes relating to Section 2.1 indicated that in certain instances, project deliverables and associated funding had been transferred into or out of the relevant project.¹⁷⁰ These transfers are described in Table 2.6.

Table 2.6: Transfers of scope occurring in the Major Projects as at 30 June 2024

Project	Year of transfer	Description
Joint Strike Fighter	2018 ^a	Project scope worth \$1.5 billion was transferred to future (unapproved) phases of the AIR6000 program, with no corresponding transfer of funds out of the project budget.
	2023	Transfer to Security and Estate Group following request for funding scope changes for RAAF Base Tindal JSF facilities and transfer of scope to AIR6000 Phase 6.
Overlander Medium/Heavy	2024	FOC was declared with Caveats, transferring the remaining scope (five caveats) and deliverables to LAND121 Phase 5B.
JORN Mid-Life Upgrade	2020	Project scope worth \$2.5 million was transferred in from Estate and Infrastructure Group (E&IG) to support AIR2025 Phase 6, which included replacing a facility at the Radar 3 Transmit site which is best delivered by the JORN Prime Contractor, as it involves specialist fit-out and coordinated delivery within JORN operational constraints.
Battlefield Command System	2022 ^b	38 PMV-M Gate Way vehicles originally within the Project's scope will be delivered by the LAND4111 Project.

¹⁷⁰ This approach is not strictly consistent with the intent of the MPR Guidelines, which focus on the reporting of transferred scope out of a project without a commensurate transfer of budget.

Project	Year of transfer	Description
Battle Comm. Sys. (Land) 2B	2023	The project scope for ground based TRES will be delivered via an acquisition project known as the Mobile Retransmission System (MRS). This acquisition is being conducted by Land C4 Sustainment System Program Office using project funds.
	2024	The number of HQOTM vehicles has been reduced from 18 to 16. Two further HQOTM vehicles will be delivered by the project via the I-BTN Contract (Support). The two remaining HQOTM vehicles will be delivered by Land Communications and Specialist Systems SPO.

Note a: The transfer for Joint Strike Fighter was reported in Auditor-General Report No.19 2019–20 *2018–19 Major Projects Report*, paras. 1.38 to 1.39.

Note b: The information presented in this table is from the 2023–24 PDSS.

Source: 2023–24 and previously published Defence PDSSs.

Appendix 1 ANAO performance audits related to the Major Projects

Number	Performance audit
1	<u>Auditor-General Report No.24 2005–06 Acceptance, Maintenance and Support Management of the JORN System</u>
2	<u>Auditor-General Report No.23 2008–09 Management of the Collins-class Operations Sustainment</u>
3	<u>Auditor-General Report No.57 2010–11 Acceptance into Service of Navy Capability</u>
4	<u>Auditor-General Report No.6 2012–13 Management of Australia’s Air Combat Capability — F-35A Joint Strike Fighter Acquisition</u>
5	<u>Auditor-General Report No.3 2013–14 AIR 8000 Phase 2 — C- 27J Spartan Battlefield Airlift Aircraft</u>
6	<u>Auditor-General Report No.52 2013–14 Multi-Role Helicopter Program</u>
7	<u>Auditor-General Report No.52 2014–15 Australian Defence Force’s Medium and Heavy Vehicle Fleet Replacement (LAND 121 Phase 3B)</u>
8	<u>Auditor-General Report No.9 2015–16 Test and Evaluation of Major Defence Equipment Acquisitions</u> (paragraph 4.54)
9	<u>Auditor-General Report No.1 2016–17 Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program</u>
10	<u>Auditor-General Report No.46 2016–17 Conduct of the OneSKY Tender</u>
11	<u>Auditor-General Report No.48 2016–17 Future Submarine — Competitive Evaluation Process</u>
12	<u>Auditor-General Report No.39 2017–18 Naval Construction Programs — Mobilisation</u>
13	<u>Auditor-General Report No.6 2018–19 Army’s Protected Mobility Vehicle — Light</u>
14	<u>Auditor-General Report No.14 2018–19 Joint Strike Fighter — Introduction into Service and Sustainment Planning</u>
15	<u>Auditor-General Report No.30 2018–19 ANZAC Class Frigates — Sustainment</u>
16	<u>Auditor-General Report No.40 2018–19 Modernising Army Command and Control — the Land 200 Program</u>
17	<u>Auditor-General Report No.4 2019–20 OneSky: Contractual Arrangements</u>
18	<u>Auditor-General Report No.22 2019–20 Future Submarine Program — Transition to Design</u>
19	<u>Auditor-General Report No.12 2020–21 Defence’s Procurement of Offshore Patrol Vessels — SEA 1180 Phase 1</u>
20	<u>Auditor-General Report No.18 2020–21 Defence’s Procurement of Combat Reconnaissance Vehicles (LAND 400 Phase 2)</u>
21	<u>Auditor-General Report No.34 2020–21 Implementation of ANAO and Parliamentary Committee Recommendations — Department of Defence</u>
22	<u>Auditor-General Report No.15 2021–22 Department of Defence’s Procurement of Six Evolved Cape Class Patrol Boats</u>

ANAO Review and Analysis

Auditor-General Report No.20 2024–25
2023–24 Major Projects Report

Number	Performance audit
23	<u>Auditor-General Report No.7 2022–23 <i>Defence's Administration of the Integrated Investment Program</i></u>
24	<u>Auditor-General Report No.21 2022–23 <i>Department of Defence's Procurement of Hunter Class Frigates</i></u>

Part 2. Defence Major Projects Report

Secretary's Foreword

I am pleased to provide the 2023–24 Major Projects Report (MPR) in conjunction with the Australian National Audit Office (ANAO). The MPR covers 21 of Defence's major capability acquisition projects delivered by the Capability Acquisition and Sustainment Group (CASG) and the Naval Shipbuilding and Sustainment Group (NSSG). Future MPRs may include projects managed by the Guided Weapons and Explosive Ordnance Group (GWEO), which was established in May 2023.

During this reporting period, the Australian Government publicly released a number of key Defence strategic documents that are driving significant transformation of Defence's policy, strategy, posture and capability settings to meet the national security challenges of our rapidly evolving strategic environment. In April 2024, the inaugural National Defence Strategy (NDS) was released, setting out a fundamentally new approach to the defence of Australia and our interests. In conjunction, the 2024 Integrated Investment Program was released, setting out the specific capabilities the Government will invest in to give effect to the NDS. Furthermore, the Defence Industry Development Strategy established the framework and principles for developing our sovereign defence industrial base in priority areas, identifying seven Sovereign Defence Industrial Priorities.

As stated in the 2024 NDS, Australia's strategic environment has continued to deteriorate since the release of the Defence Strategic Review. There is no longer a ten-year window of strategic warning time for conflict, which is a markedly different environment since the MPR was first published almost 20 years ago. Reflective of this change, safeguarding capability information must be a priority. Reporting related to capability delivery, especially reports that provide a holistic view of capability acquisition and sustainment, must take into account the risk to national security of inadvertent or unauthorised disclosure. Therefore, based on security considerations, some information for certain projects will not be published. Defence has, however, provided all information to the ANAO to conduct assurance and analysis.

This 17th version of the MPR provides transparency on the progress of Defence's most complex acquisition projects. The MPR is a valuable tool to inform the Parliament and Australian public of Defence capability and related expenditure.

The 21 projects within the 2023–24 MPR have a combined total approved budget of \$81 billion and total in-year budget of \$4.87 billion.

Of note are the following project achievements during 2023–24, which support delivery of important capability for the ADF:

- *Collins Class Communication and Electronic Warfare Improvement Program (SEA 1439 Phase 5B2)*. Achieved Final Materiel Release for Modernised Submarine Communications System Stage 1 in August 2023 and Initial Operating Capability in March 2024 for Modernised Submarine Communications System Stage 1 and Stage 2, and Microwave Electronic Support system.
- *Maritime Communications Modernisation (SEA 1442 Phase 1)*. Achieved Initial Operating Capability and delivered its sixth ship in November 2023.
- *Anzac Air Search Radar Replacement (SEA 1448 Phase 4B)*. Achieved Materiel Release 4 in July 2023 and, Materiel Release 5 in June 2024.
- *Pacific Patrol Boat Replacement (SEA 3036 Phase 1)*. Delivered several boats to pacific countries:
 - FSS Bethwel Henry was delivered to the Federated States of Micronesia in August 2023;
 - HMPNGS Gilbert Toropo was delivered to the Independent State of Papua New Guinea in October 2023;
 - SPB Nafanua III was delivered to the Independent State of Samoa in November 2023; and
 - RFNS Puamau was delivered to the Republic of Fiji in February 2024.
- *Hunter Class Frigate Design & Construction (SEA 5000 Phase 1)*. Completed Preliminary Design Review, Production Readiness Review and the third Integrated Baseline Review. The project received Second Pass approval for construction of the first three ships, with additional funding provided from Financial Year 2024-25.
- *Short Range Ground Based Air Defence (LAND 19 Phase 7B)*. Achieved Initial Materiel Release in September 2023 and Initial Operational Capability in December 2023.
- *Medium Heavy Capability, Field Vehicles, Modules and Trailers (LAND121 PHASE 3B)*. Achieved Final Operating Capability in December 2023.
- *Battlefield Command System (LAND 200 Tranche 2)*. Commercial issues with L3 Harris Technologies were resolved via a Deed of Reduction and Release supported by Contract Change Proposal to define remaining scope for the project. This has addressed the ANAO qualification detailed in 2022-23 MPR by confirming the final hardware capability scope.
- *Armed Reconnaissance Helicopter (ARH) Replacement (LAND4503 Phase 1)*. Acquired two retired UK AH-64D Apache's for conversion into Army training devices for aviation technical trades.
- *Main Battle Tank Upgrade/ Combat Engineering Vehicle Acquisition (LAND 907 Phase 2 and LAND 8160 Phase 1)*. Completed production of 28 M1A2 Abrams Main Battle Tanks at Joint Systems Manufacturing Centre in the USA.
- *Jindalee Operational Radar Network (JORN) Mid-Life Upgrade (AIR 2025 Phase 6)*. Completed the successful trial of JORN receivers and release of the new Operations Centre Demonstrator.

- *MQ-4C Triton (AIR 7000 Phase 1B)*:
 - Achieved delivery of initial Mission Control System to Australia in February 2024.
 - Interim Sustainment Support Contract phase-in commenced in September 2023.
 - The project updated the Materiel Acquisition Agreement to include the fourth aircraft and supporting systems following government approval in April 2023.
- *Battlespace Communications Systems (JOINT 2072 Phase 2B)*. Achieved Final Operating Capability in March 2024.

I acknowledge the ANAO's one qualification and ongoing Emphasis of Matter contained in the Auditor-General's Priority Assurance Review, addressed in the Defence Chapter.

I would like to take the opportunity to thank the Auditor-General, Dr Caralee McLiesh, and her staff for their contribution to the report.



Greg Moriarty
Secretary
Department of Defence

11 December 2024

OVERVIEW

During 2023–24, Defence continued to manage a large and complex program of work across acquisition and sustainment programs to deliver capability to the ADF.

As at 30 June 2024, Defence managed 568 major and 99 minor acquisition projects with a total acquisition cost of \$245 billion. Of this, CASG and NSSG managed 143 major and four minor acquisition projects during this period, worth a total acquisition cost of \$167.6 billion. The 2023–24 acquisition budget of \$10 billion was achieved by Defence.

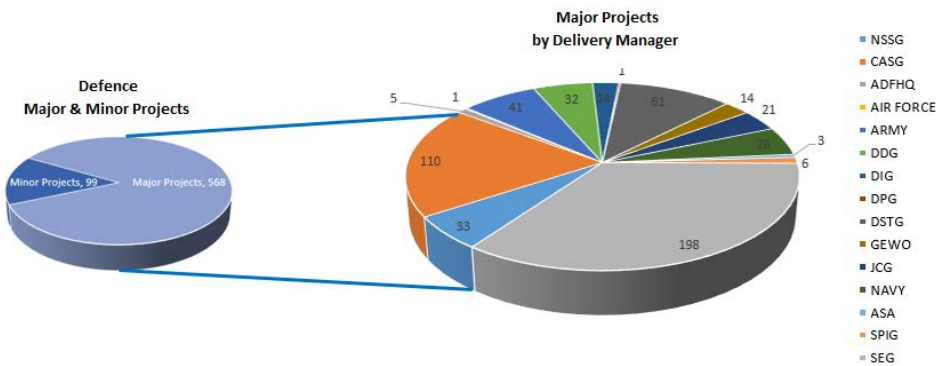


Figure 1. Projects distribution by Domain – Whole of Defence.

The 2023–24 MPR provides insight into 21 of the 143 major projects, with a total acquisition cost of \$81 billion.

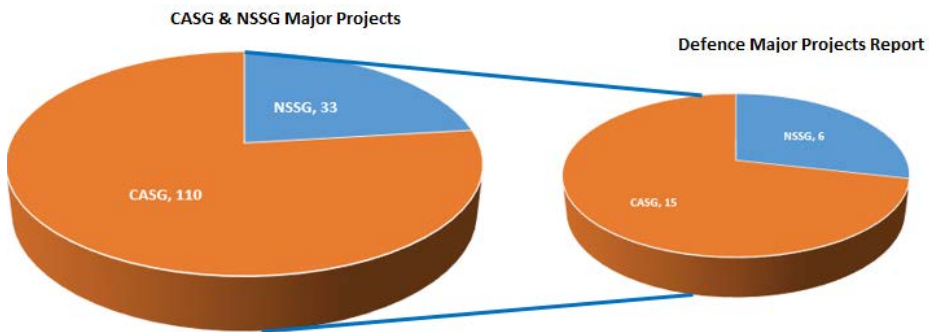


Figure 2. Projects distribution by Domain – 2023-24 MPR.

Defence Major Projects Report

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During this reporting period, CASG and NSSG closed 12 major and two minor acquisition projects, with the major projects achieving a final spend of \$5.7 billion over their life, against a budget of \$6.2 billion.

During 2023–24, six major military acquisition projects were approved, with an in-year acquisition budget of \$1 billion across all major delivery groups.

National Defence Strategy (NDS)

The inaugural NDS was released on 17 April 2024, close to one year after the Defence Strategic Review. The Strategy sets out Government’s approach to address Australia’s most significant strategic challenges, including the threat of conflict and the prospect of military coercion. The Strategy of Denial is the new cornerstone of Defence planning that is designed to deter a potential adversary from taking actions that would be inimical to Australia’s interests and regional stability. Delivering the Strategy of Denial requires credible ADF capabilities that will complicate the calculus of any potential adversary.

The Government has committed to a biennial NDS cycle to ensure Defence policy, strategy, capability and planning keep pace with the rapidly evolving strategic environment, respond to Australia’s national security priorities and provide clarity to defence industry.

Integrated Investment Program (IIP)

The 2024 IIP was rebuilt to reflect the specific defence capabilities the Government will invest in to give effect to the NDS. The Government has made decisions to prioritise and fund the acquisition of key capabilities to bolster Australia’s deterrence capabilities. Tough but necessary decisions to cancel, divest, delay or re-scope projects or activities that are not critical to delivering the force appropriate to our strategic circumstances required. This reprioritisation has enabled the acceleration of new, immediate and longer-term priority projects and capabilities.

Together, the rebuilt IIP and the NDS provides a blueprint to deliver an ambitious transformation of the ADF to an integrated, focused force capable of safeguarding Australia’s security and contributing to regional peace and prosperity for decades to come.

Defence Industry Development Strategy

The Defence Industry Development Strategy was released during this reporting period. Importantly, this strategy underpins the NDS and articulates the need for a sovereign defence industrial base. The strategy includes the initial list of seven detailed sovereign defence industrial priorities, where Australia needs to grow its defence capability. These priorities signal to industry where Defence will focus support and investment to ensure the industrial base has the capability and capacity required. This approach aims to move Australian businesses up the value chain, in line with Defence strategic priorities, and lay the foundations to grow Australian primes in future.

As outlined in the strategy, Defence is reducing time and costs of getting into contract for both industry and the Commonwealth by overhauling its approach to contracting and engaging with

industry. More flexible contracting mechanisms are being developed to support agile and developmental projects, where technology is rapidly changing or where the ADF's requirements cannot be fully known. This is particularly important to support the innovative capabilities delivered under AUKUS Pillar II and by the Advanced Strategic Capabilities Accelerator. This will also support Defence and industry's capacity to exploit export opportunities based on our strategic priorities.

The Defence Industry Development Strategy reaffirmed the importance of the Australian Industry Capability Program and the Global Supply Chain (GSC) Program, including the need to expand the number of participants in the GSC Program to assist with scale, competitiveness and sustainability. The GSC Program supports Australian businesses to integrate into global supply chains, diversify their revenue, drive economies of scale and build resilience through exports. Since its inception, the Program has delivered 2,580 contracts worth over \$1.94 billion to 268 Australian suppliers. The Government has since announced the significant expansion of the GSC Program, by almost doubling the number of companies from seven to 13.

Treatment of Classified and Sensitive Information

In accordance with the Joint Committee of Public Accounts and Audit 2023–24 MPR Guidelines (Guidelines), Defence is responsible for ensuring that the information in the MPR is suitable for unclassified publication. Australia's strategic circumstances have markedly changed since the MPR was first implemented. Defence has assessed that some details, both in respect of individual projects and in aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitisation of the data. There are 20 projects in this MPR in which some new or updated information has not been published on security grounds.

Defence provided the required information to the ANAO to conduct their assurance and analysis activities.

PROJECT PERFORMANCE

Performance Overview

Defence's performance reporting, reinforced through this 2023-24 MPR, consistently identifies that our projects largely perform well against scope and budget parameters. Defence is conscious of the need to improve schedule forecasting and management, especially in our current strategic environment, where speed to capability is imperative. Defence sets ambitious schedules to deliver capability safely to the warfighter as soon as possible. The complexity of our projects, coupled with optimistic assessment of achievability by both Defence and industry, often represented by a schedule baseline set ahead of final contract negotiations, remains a key cause of schedule performance issues.

Defence has implemented measures to revitalise the oversight of project performance, including through the Projects of Concern process. Senior management oversight of projects and

sustainment products experiencing performance issues and challenges has correspondingly improved.

Complexity

Defence procurements are some of the most complex projects and programs undertaken by our nation. With the evolution of technology and integration requirements, Defence’s major projects continue to increase in complexity.

In 2023–24, CASG and NSSG were managing 31 projects of the highest complexity Acquisition Category One (ACAT I). Since inception of the MPR, the ACAT level of all 61 Major Projects indicates a continuing trend towards approval of more complex projects at the ACAT I and ACAT II level. The more strategic, complex and technical in nature a project is, the greater the schedule risk and therefore the greater the need for more robust planning by Defence.

The 2023-24 MPR projects include eight ACAT I and 12 ACAT II projects, representing a continuation of project complexity and their requirements.

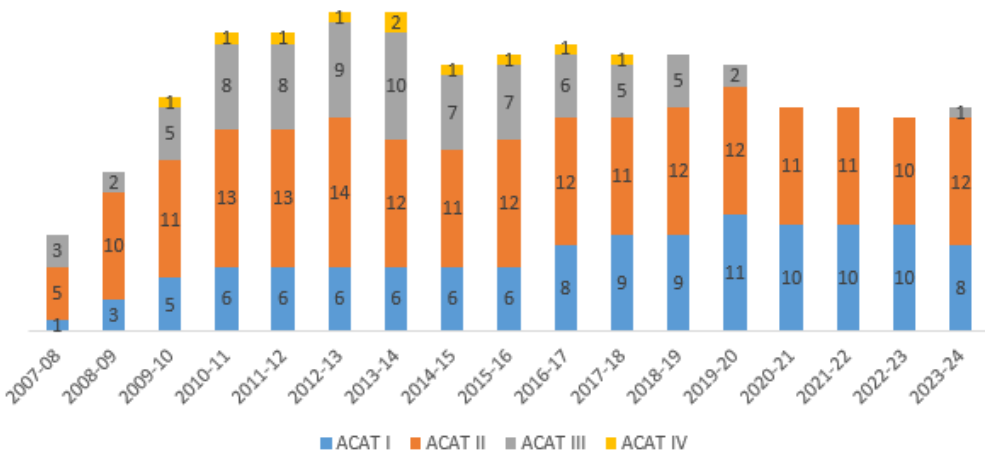


Figure 3. ACAT complexity of MPR projects by financial year, as at 30 June 2024.

Acquisition Approach and Characteristics

The 2023-24 MPR reported on 21 of Defence’s major projects, of which 14 largely represented domestic acquisition, with four Foreign Military Sales (FMS) procurements and the remaining three Government-to-Government programs.

The nature of the procurement often dictates the level of control that Defence has over the project, with FMS and Government-to-Government arrangements currently more susceptible to delay than direct commercial sales. ANAO analysis since 2008 indicates that FMS and Government-to-Government performance has seen a relatively steady increase in overall

schedule delay, some in part due to additional approved purchases, but also to the increasingly developmental nature of those Defence projects. Conversely, direct commercial sales and other approaches have seen a marked improvement in schedule performance over time.

More significant is the level of maturity of the solution. A solution immediately available for purchase and already established in-service with another military or government body or commercial enterprise and requires only minor, if any, modification to deliver interoperability with existing ADF assets, is far more likely to be delivered quickly than a requirement developed specifically to meet the ADF's particular operational requirements.

One project (SEA 5000 Phase 1 – Hunter Class Frigate Design and Construction) is in design and Construction, 11 projects are approaching Initial Operational Capability (IOC) and nine tracking towards Final Operational Capability (FOC), with one project (JNT 2072 Phase 2B – Battlespace Communications Systems) having achieved both IOC and FOC. This highlights that the majority of the projects are still not at their delivery peak before key risks can be effectively retired.

Capability

The 2023–24 Major Projects Report demonstrated that, overall, scope remained strong. All 21 projects are delivering capability/scope, with ANAO's analysis highlighting that the overwhelming majority of agreed scope across the MPR is forecast to be delivered with high confidence.

While the delivery of capability approved by Government can only be fully realised at FOC, it should be noted that Defence is delivering critical capability to the soldier, sailor and aviator – here and now. By prioritising early deployment and steady materiel releases with incremental enhancements, Defence ensures that immediate operational needs are met, while allowing continuous capability development and refinement.

Cost

The Defence Chief Finance Officer provides overall financial assurance on the actual cost and budget data of individual projects included in this report. Project budgets approved by Government take into account the estimated impact of inflation over the life of a project, which is known as 'out turning'.

All financial data related to Defence's capital projects and capital programs provided within the 2023–24 Defence Portfolio Budget Statement, Portfolio Additional Estimates Statement, and Annual Report, are presented on an accrual basis.

The 21 projects within the 2023–24 MPR have a combined total approved budget of \$81 billion, an increase of \$22.4m (38.2%) from the 2022-23 MPR, indicative of the increasing value and complexity of projects.

Project budget variations occur as a result of Government-endorsed changes to scope, real cost changes and scope transfers between projects. Foreign exchange rate variations do not represent

a real cost change, as they are managed through funding adjustments on a 'no-win/no-loss' basis to offset realised foreign exchange losses or gains.

In rare instances, a Government-approved budget variation is required due to an unplanned cost and/or scope variation, known as a 'Real Cost Increase'. For 2023–24, there have been no Real Cost Increases for the 21 projects contained in the MPR.

Defence contingency management policy requires that where a major project is unable to manage a contingency event within its approved budget allocation, it must enter a formal process to access contingency provisions. A major project must maintain a contingency budget log, which is assessed as part of the contingency application process to ensure that major projects maintain a record of management decisions relating to the emergence and realisation of contingent events. This enables the project to be able to access contingency.

Three 2023-24 MPR projects reported the use of contingency that was linked to risks in their respective contingency logs, and these projects remained within their overall approved budget.

Schedule

Defence continues to deliver successful capability outcomes; however, schedule management continues to represent the most significant challenge. Defence sets ambitious schedules to drive performance and efficiency, and to get capability to the war-fighter. The requirement for speed to capability will increase commensurate with our threat environment and drive the necessary acceptance of risk.

Defence is taking measures to ensure that we understand and articulate these risks more effectively at the outset, mitigate them through targeted acquisition and appropriate schedule forecasting and manage them more effectively throughout the capability lifecycle. In particular, schedule risk increases proportionately with the complexity of the undertaking and the projects covered by the Major Projects Report reflect increasingly complex endeavours.

Schedule variations are reported based on the achievement of FOC. Schedule variation occurs for a number of reasons, including late delivery, changes in deliveries or scope, delays to interdependent projects, technical reliability, integration issues, commercial negotiations, workforce capacity or capability, a force majeure event or a deliberate management decision.

Consideration of schedule delay in aggregate does not enable these factors to be effectively understood, remediation actions to be considered or lessons gleaned. Using aggregated in-year ('longitudinal') schedule delay is therefore not a helpful measure in understanding schedule performance. Rather, schedule delay needs to be contextualised in terms of the reason for the delivery delay and associated risks. In addition, Defence considers analysis of median schedule delay a more relevant measure in understanding performance, as aggregate schedule delay can be skewed by the influence of long-duration project outliers.

When considering common projects across the last three MPR, aggregate schedule variance has remained largely consistent and may be expected to remain so until long-term projects retire from being reported. In-year schedule slippage has seen minor improvement.

ACQUISITION GOVERNANCE

Performance Governance

Defence governs and assures project delivery through a range of policies and practices to respond to the outcomes of the NDS, subsequent Government direction and Defence requirements for the acquisition, sustainment and support of defence capability.

Projects of Concern and Interest

A number of projects suffering schedule delay are, or have been, managed as a Project of Concern or Interest, ensuring that there is appropriate oversight (including Ministerial oversight through performance reporting) over the associated issues. The Projects of Concern and Interest framework ensures that there is appropriate oversight and management of acquisition and sustainment performance, enabling timely advice to relevant decision makers and the development and delivery of remediation activities for projects and products not meeting performance targets. In general terms, this means the project has undertaken independent assurance review to determine the targeted support that can be provided, mandated senior executive forums between Defence and Industry, and the construction and monitoring of a dedicated remediation plan.

Smart Buyer

Defence's Smart Buyer program, introduced in late 2016, supports acquisition projects and sustainment products in their early planning phases through consideration of key strategy drivers, which in turn supports the development of robust project execution strategies. Smart Buyer uses a flexible methodology that has been adapted to address a variety of situations, including the establishment of projects, programs and sustainment activities. All projects approaching the Defence Investment Committee for Gate 0, 1 and 2 consideration are subject to Smart Buyer framework. These strategies are subsequently tested in Independent Assurance Reviews. During 2023–24, there were 50 projects and programs that underwent a Smart Buyer activity, including one of the 21 MPR projects.

Independent Assurance Reviews (IAR)

IARs consider the health and outlook of projects throughout their life, from strategy and concept design through to in-service and disposal (as sustainment products). Reviews consider key aspects of the project's ability to deliver against the agreed scope, schedule and budget. Reviewers make recommendations for senior management consideration regarding the ongoing conduct of the project or product under review, including whether it should be considered a candidate for elevation to Project or Product of Interest or Concern status. In 2023–24, 109 IARs were conducted, including for 18 of the 21 MPR projects.

Both the Smart Buyer and IAR programs draw on a common pool of experienced external reviewers. Review members have widely varying professional backgrounds but typically have extensive senior management experience gained in either the Australian Public Service, ADF, industry or academia, and have a very sound understanding of Defence and Government processes.

Risk Management

The CASG Risk Reform Program implemented in June 2020 led to the establishment of the CASG Risk Management (CAS-RM) Framework, which applies to the current MPR projects. Since that time, Defence has undertaken several initiatives through the framework to better articulate requirements and guidance for risk practitioners.

The Framework delivers:

- a cohesive and structured application of the ISO31000:2018 risk management standard;
- a common risk management framework and language for delivery groups (CASG, NSSG, GWEO), enabling a standardised and structured approach for risk planning and management; and
- a selection of methods, techniques and approaches to enable an appropriate level and depth of risk planning for specific project, product and business activities based on their complexity.

The risk management tool Predict Risk Controller (Predict!), is mandated across CASG, NSSG and GWEO for new and existing projects, products and business areas. All of the 2023-24 MPR projects use the Predict! risk management tool. The utilisation of Predict! as the single risk management platform for projects has replaced the use of offline spreadsheets, facilitating improved risk management and governance processes throughout the One Defence Capability System (project capability lifecycle).

Recent initiatives have included the establishment of the Project and Product Risk Management Directorate, upgrades to Predict!, and alignment of the CASG Risk Matrix with the Defence Enterprise Risk Matrix.

Defence continues to mature its risk management policy, practices and guidance, deliver updated risk management training and provide support to risk managers and practitioners to improve risk controls within Predict!.

In November 2024, the Project Management policy framework was updated to include an Implementation Risk Assessment template to allow delivery managers to build and present a clearer understanding of implementation risks to decision makers through the approval process and the acquisition phase and to develop mitigation strategies to maximise Defence's capacity to deliver optimal speed to capability outcomes.

Project Lessons

In accordance with Defence's project management policies, projects are required to develop and implement a Lessons Collection and Management Plan to schedule appropriate review of existing

lessons information and aid with the effective capture and recording of their own Observations, Insights and Lessons. Lessons information (consisting of Observations, Insights and Lessons Identified) is captured by MPR projects and housed within the Defence Lessons Repository (DLR).

The information housed in the DLR is available to assist with improving the way that current projects and programs are managed, and to inform how future projects and programs are planned. All MPR projects have lessons recorded in the DLR. Inclusion of those lessons in the PDSS is based on an assessment that a lesson is strategic in nature and falls into one of the defined systemic categories and has been registered in the DLR with senior management endorsement. During the 2023-24 MPR, Defence Projects provided ANAO with evidence in the form of project lesson logs and senior manager endorsement of specific lessons housed in the DLR as being strategic and/or systemic in nature and suitable for inclusion in the PDSS. It is acknowledged that ANAO has determined that this process is insufficient in accordance with the MPR Guidelines reporting requirements. Defence will continue to work to improve the process to ensure traceability of which lessons in the Defence Lessons Repository enter each PDSS as strategic lessons.

In addition to direct use of the DLR by projects, there are other ways that lessons-related information is shared and utilised. Case studies are developed and/or facilitated lessons panels convened to share knowledge more broadly. Where strategic or systemic themes are identified through analysis of lessons information, recommendations may be presented to a Lessons Board for consideration. Recommendations associated with strategic lessons have the potential to warrant more significant changes to broader business, such as updates to policy and training, however these only achieve the status of a lesson learned once the recommendations have also been completely implemented and validated.

2023–24 Exited Project Lessons

The 2023–24 Guidelines state that *‘for each project that has been removed, the lessons learned at both the project level and the whole-of-organisation level should be included as a separate section in the following Defence MPR.’*

The Multi-Role Helicopter AIR 9000 Phase 2, 4 and 6 project was the only project that exited from the 2022–23 MPR. The 2022-23 PDSS lessons have not changed and there are no additional lessons identified. The key lessons reported in the 2022-23 MPR using the *systemic lesson categories* include:

- *Commercial Management.* The impact of attaining limited Intellectual Property rights has been critical to the ongoing development of the capability and achievement of value for money in further contract negotiations. It has also limited the provision of data for integration with other platforms (such as the Landing Helicopter Dock ships).
- *Commercial Management.* Better arrangements should be put in place to ensure appropriate considerations of contractor performance occur before the Commonwealth enters into similar contracts.

- *Off-The-Shelf Equipment.* The Multi-Role Helicopter Program was incorrectly categorised as a Military off-the-Shelf acquisition. Lessons associated with intended Military off-the-Shelf procurements include: that it is essential that the maturity of any offered product be clearly assessed and understood; and that elements of a chosen off-the-shelf solution may not meet the user requirement.

In summary, the key lessons learned speak to the importance of understanding the acquisition characteristics at the outset, including through the Smart Buyer process, such the requirement can be appropriately planned at the earliest possible stage. More importantly, to ensure that increased understanding about a product emerging from negotiations are fed back into the Commonwealth implementation risk assessment and integrated master schedule, with significant issues and risks documented and understood and accepted by Government and the Capability Manager. That negotiations for commercial arrangements codify clear performance measures with commercial off-ramps both during acquisition and sustainment of the capability and that suitable Intellectual Property rights are procured to support the acquisition and the requirement to support the capability throughout life.

Appendix A – Glossary

Acquisition Categories	The ACAT framework broadly categorises project acquisition complexity into four levels of ascending risk based on acquisition cost, project management complexity, schedule complexity, technical difficulty, operation and support and commercial factors.
Additional Estimates	Where amounts appropriated at Budget time are required to change, Parliament may make adjustments through the Additional Estimates Acts.
Australian Defence Force (ADF)	The Royal Australian Navy, the Australian Army, and the Royal Australian Air Force.
Australian Industry Capability (AIC)	A framework to give Australian businesses the best possible opportunity to compete for Defence work, recognising that providing the best capability for Defence and value for money will continue to drive decisions
Australianised Military off-the-shelf (MOTS) Capability	An adapted Military off-the-shelf product where modifications are made to meet particular ADF operational requirements. The power to achieve a desired operational effect in a nominated environment within a specified time and to sustain that effect for a designated period. Capability is generated by the Fundamental Inputs to Capability.
Capability Manager (CM)	A Capability Manager has the responsibility to raise, train and sustain capabilities. In relation to the delivery of new capability or enhancements to extant capabilities through the Defence IIP, Capability Managers are responsible for delivering the agreed capability to Government, through the coordination of the fundamental inputs to capability. Principal Capability Managers are Chief of Navy, Chief of Army, Chief of Air Force, and Chief of Joint Capabilities.
Capital Equipment	Substantial end items of equipment such as ships, aircraft, armoured vehicles, weapons, communications systems, electronics systems or other armaments that are additional to, or replacements for, items in the Defence inventory.
Caveat	In relation to the declaration of IOC or FOC or other capability milestone, is a plan, stipulation, condition or limitation to mitigate the capability impact of a Deficiency.
Classified Information	Official information that meets the criteria for classification under the Australian Government Security Classification System (AGSCS).
Contract Change Proposal (CCP)	This is a formal written proposal by the Commonwealth or the contractor, prepared in accordance with the terms and conditions of the contract, to change the contract after the effective date. After agreement by the parties, the contract is amended in accordance with the processes established in the contract.
Corporate Governance	The process by which agencies are directed and controlled, and encompasses authority, accountability, stewardship, leadership, direction and control.
Deficiency	In relation to the declaration of IOC or FOC or other capability milestone, is a shortfall between the Government agreed requirements and that which is provided at the milestone.
Developmental	A product that is not available off-the-shelf and has to be developed specifically to meet the ADF's particular operational requirements.
Direct Commercial Sale (DCS)	US Direct Commercial Sale involves commercial contracts negotiated directly with a US Defense contractor. DCS agreements are not administered by the US Government and do not involve a government-to-government agreements. Instead, the entity deals with the US contractor and that contractor is responsible for obtaining an export license from the Office of Defense Trade Controls, within the US Department of State, to conduct each sale.
Exception	A legacy term used by projects in reporting limitations in milestone achievement prior to the use of 'Caveat' or 'Deficiency' terms.
Final Materiel Release (FMR)	A milestone that marks the completion and release of those Acquisition Project supplies required to support the achievement of FOC.

Final Operational Capability (FOC)	The capability state relating to the in-service realisation of the final subset of a capability system that can be employed operationally. Declaration of FOC is made by the Capability Manager, supported by the results of operational test and evaluation and declaration by the Delivery Group(s) that the fundamental inputs to capability have been delivered.
Fixed Price Contract	A fixed price contract is unalterable in all respects for the duration of the contract, except where the parties agree to a contract amendment which alters that contract price.
Foreign Military Sales (FMS)	The US Department of Defense’s Foreign Military Sales program facilitates sales of US arms, Defense services, and military training to foreign governments.
Forward Estimates	The level of proposed expenditure for future years (based on relevant demographic, economic and other future forecasting assumptions). The Government requires forward estimates for the following three financial years to be published in each annual Federal Budget paper.
Function and Performance Specification	A specification that expresses an operational requirement in function and performance terms. This document forms part of the capability documentation.
Gate 0	The decision point at which the Investment Committee considers an investment proposal developed by a Capability Manager. It may agree to a proposal to develop a range of options with agreed timeframes, requirements and financial commitments to proceed to a Gate 1 decision, or, agree a single option for acceleration to proceed directly to Gate 2.
Gate 1	If required, it is the decision point where the Investment Committee considers the progress made since Gate 0. The Investment Committee either clears the proposal for Government consideration, or provides direction to remediate projects.
Gate 2	The stage where the Integrated Project Manager initiates formal engagement with industry, in accordance with the agreed delivery strategy. The Investment Committee considers the updated proposal and either clears the proposal for Government consideration (Second Pass), or provides direction to remediate projects.
Government First Pass	If required, it is the Government decision to select a specific option(s) and proceed with agreed timeframes, technical requirements and financial commitments to Gate 2.
Government Second Pass	A final milestone in the Risk Mitigation and Requirement Setting and Planning Phase at which point Government endorses a specific capability solution and approves funding for the Acquisition and In-Service and Disposal Phases.
Initial Materiel Release (IMR)	A milestone that marks the completion and initial release of Acquisition Project supplies required to support the achievement of IOC.
Initial Operational Capability (IOC)	The capability state relating to the in-service realisation of the first subset of a capability system that can be employed operationally. Declaration of IOC is made by the Capability Manager, supported by the results of operational test and evaluation and declaration by the Delivery Group(s) that the fundamental inputs to capability have been delivered.
Issues	An issue is an unplanned event that has happened and require management action.
Lessons	Lessons consist of project observations, insights or lessons identified.
Lessons – Learned	Lessons whose recommendations for improvement have been both implemented and subsequently validated.
Lessons – Strategic	Strategic, in this case, relates to a lesson, which has potential implications at an Enterprise or Group level, necessitating likely changes to Policy/Procedure/Governance/Training/Behaviour/Culture.
Materiel Acquisition Agreement (MAA)	An agreement between a Capability Manager and a Delivery Manager (CASG/NSSG) which states in concise terms what services and products will be delivered, for how much and when.

Materiel Release (MR)	A Materiel Release is a specific type of transition milestone, relating to the completion and release of the Acquisition Project Supplies, required to support achievement of FOC for a defined Capability State. The constitution of a MR, its achievement criteria and applicable specifications, references and comments are documented in the respective MAA. CASG will propose the MR for the Capability Manager's consideration and endorsement.
Memorandum of Understanding (MOU)	A Memorandum of Understanding is a document setting out an agreement, usually between two government agencies.
Minimal Viable Capability (MVC)	A capability (inclusive of fundamental inputs to capability) that can successfully achieve the lowest acceptable level of the directed effect in the required time and be able to be acquired, introduced into service and sustained effectively.
Minor Capital Acquisition Project	A Defence project in which the proposed equipment falls within the definition of capital equipment but does not meet the criteria in the definition of a major project.
Not Applicable (N/A)	Used where information is neither available, relevant nor applicable.
Not for Publication (NFP)	Information that both in individual PDSS and in the aggregate, would or could reasonably be expected to cause damage to the security, Defence or international relations of the Commonwealth.
Off-the-Shelf	A system or equipment that is available for purchase, which is already established in-service with another military or government body or commercial enterprise and requires only minor, if any, modification to deliver interoperability with existing ADF assets.
Operational Concept Document (OCD)	The primary reference for determining fitness-for-purpose of the desired capability to be developed. This document forms part of the Capability Definition Document.
Operational Test and Evaluation (OT&E)	Test and evaluation conducted under realistic operational conditions with representative users of the system, in the expected operational context, for the purpose of determining its operational effectiveness and suitability to carry out the role and fulfil the requirement that it was intended to satisfy.
Out Turned Costs / Out-Turning	Defence establishes cost estimates using out-turned costs (i.e. inclusive of agreed or estimated contract price indexation) to ensure that estimates include allowances for future inflationary cost increases and foreign exchange.
Platforms	Refers to air, land, or surface or sub-surface assets that are discrete and taskable elements within the ADF.
Portfolio Budget Statement (PBS)	A document presented by the Minister to the Parliament to inform Senators and Members of the basis for Defence budget appropriations in support of the provisions in Appropriation Bills 1 and 2. The statements summarise the Defence budget and provides detail of outcome performance forecasts and resources in order to justify agency expenditure.
Prime System Integrator	The entity that has prime responsibility for delivering the mission and support systems.
Project or Product of Interest (POI)	When more significant risks or issues, and/or more significant actual or anticipated breaches of project/product parameters are observed, consideration is given to placing the project or product on the Project of Interest List by the Delivery Division Head to the Group Head and advised to the Minister for Defence Industry.
Project or Product of Concern (POC)	When more significant risks or issues, and/or more significant actual or anticipated breaches of project/product parameters are observed, consideration is given to placing the project or product on the Project of Concern List by the Delivery Division Head to the Group Head. Listing as a Project of Concern is decided by the Minister for Defence Industry, on advice from the department.
Public Governance, Performance and Accountability Act (PGPA) 2013	The <i>Public Governance, Performance and Accountability Act 2013</i> came into effect on 1 July 2014 and superseded the <i>Financial Management and Accountability Act 1997</i> . It is a Commonwealth Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.
Risk	A risk is an uncertain event (or set of events) which, should they occur, will have an effect on the achievement of objectives. This effect may not be detrimental. A risk can be either a threat or an opportunity.

Defence Major Projects Report

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To Be Advised (TBA)

Used where information is yet to be determined, confirmed or to be approved.

Variable Price Contracts

Variable price contracts provide for the contractor to be paid a fixed fee for performance of the contract, subject to certain variations detailed in the contract. Variable price contracts may allow for variations in exchange rates, labour and/or material costs.

Part 3. Assurance by the Auditor-General and the Secretary of Defence



Auditor-General for Australia



PRIORITY ASSURANCE REVIEW – SECTION 19A(5) OF THE AUDITOR-GENERAL ACT 1997

INDEPENDENT ASSURANCE REPORT

DEPARTMENT OF DEFENCE PROJECT DATA SUMMARY SHEETS

To the President of the Senate

To the Speaker of the House of Representatives

Qualified Conclusion

Based on the procedures I have performed and the evidence I have obtained, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to my attention that causes me to believe that the information in the 21 Project Data Summary Sheets (PDSSs) in Part 3 and the *Statement by the Secretary of Defence*, excluding the forecast information, and major risks and issues, has not been prepared in all material respects in accordance with the *2023-24 Major Projects Report Guidelines* (the Guidelines), as endorsed by the Joint Committee of Public Accounts and Audit (JCPAA) on 19 October 2023.

The purpose of the Major Projects Report is to report on the performance of selected major Department of Defence (Defence) equipment acquisition projects (Major Projects), since Second Pass Approval, and associated sustainment activities (where applicable), managed by Defence.

I have undertaken a limited assurance review of the PDSSs, reporting on the status of the projects selected by the JCPAA, and the *Statement by the Secretary of Defence*, for the year-ended 30 June 2024. This review was performed in accordance with the ANAO Auditing Standards, which include the relevant Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Auditing and Assurance Standards Board.

The following information was excluded from the scope of this engagement:

- (a) Section 1.2 Current Status — Materiel Capability/Scope Delivery Performance and Section 4.1 — Measures of Materiel Capability/Scope Delivery Performance;
- (b) Section 1.3 Project Context — Major Risks and Issues, and Section 5 — Major Risks and Issues;
- (c) Section 2.4 — Australian Industry Capability; and
- (d) forecast dates where included in each PDSS.

The forecast information, and major risks and issues have not been included in the scope of the engagement, due to the lack of Defence systems from which to provide complete and accurate evidence, in a sufficiently timely manner to facilitate the review. Accordingly, my conclusion does not provide assurance in relation to this information. However, material inconsistencies identified between the information disclosed in these excluded sections and the ANAO's understanding from

performing review procedures on the in-scope information are required to be considered in forming my conclusion.

Basis for Qualified Conclusion

Limitation of scope — Section 6 Lessons Learned for all PDSSs

The Guidelines require disclosure of a description of the project lessons (at the strategic level) that have been learned. Projects are to state whether ‘Systemic Lessons’ have been identified. Due to deficiencies in Defence’s processes over identifying and reporting lessons learned, I was unable to obtain sufficient appropriate audit evidence to conclude whether the disclosure of the lessons learned in Section 6 of each PDSS is in accordance with the requirements of the Guidelines.

Emphasis of Matter — Impact of Security Review

I draw attention to the *Statement by the Secretary of Defence* where Defence has disclosed that, following a security review in November 2024, Defence has assessed that some details, both with respect to independent projects and in the aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitisation of the data. These details have been removed from the relevant PDSS. Information was not published or was modified in the following 20 PDSSs for 2023–24:

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
SEA 5000 Phase 1 Hunter Class Frigate Design and Construction (POI) (Hunter Class Frigate)	Initial Materiel Release (IMR) Initial Operational Capability (IOC). Capability, milestone dates and variance information.	Section 1.2 and Section 2.1 — information relating to funding and schedule performance. Section 3.1, Section 3.2 and Section 4.2 — information relating to milestone dates and variance. Section 5.1 — information relating to Major Risk 1.
AIR6000 Phase 2A/2B New Air Combat Capability (Joint Strike Fighter)	Final Materiel Release (FMR). Final Operational Capability (FOC). Post-Final Operational Capability. Capability, milestone dates and variance information, and in Note 1 and Note 3.	Section 1.2 — information relating to FOC and the process leading to FOC. Section 1.3, Section 3.2 — information relating to capability weapons delivery, delays of acceptance of final air vehicles and in Note 8 in Section 3.2. Section 2.1 — information in Note 3. Section 2.2A — information relating to details in the explanation. Section 4.2 — FMR and FOC dates and post-final operational capability details. Section 5.3 — information relating to major project issues.
LAND400 Phase 2 Mounted Combat Reconnaissance Capability (Combat)	Final Materiel Release (FMR) Final Operational Capability (FOC)	Section 1.3, 5.1 and 5.3 — information relating to air transportability dates, Active Protection System, and key risks.

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Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
Reconnaissance Vehicles)	Capability, milestone dates and variance information.	<p><i>Section 3.1 — information relating to critical design forecast dates and variance.</i></p> <p><i>Section 3.2 — information relating to Block II forecast dates and variance.</i></p>
LAND4503 Phase 1 Armed Reconnaissance Helicopter Replacement (ARH Replacement)	<p><i>Initial Materiel Release (IMR)</i></p> <p><i>Initial Operational Capability (IOC)</i></p> <p><i>Final Materiel Release (FMR)</i></p> <p><i>Final Operational Capability (FOC)</i></p> <p><i>Capability, milestone dates and variance information.</i></p>	<p><i>Section 1.2, Section 1.3, Section 3.2 and Section 4.2 — information relating to unique capability, test and evaluation dates and references to milestone dates and variance.</i></p>
SEA 1180 Phase 1 Offshore Patrol Vessel	<p><i>Final Materiel Release (FMR)</i></p> <p><i>Final Operational Capability (FOC)</i></p> <p><i>Capability, milestone dates and variance information.</i></p>	<p><i>Section 3.2 — information relating to milestone dates and variance for OPVs and in Note 4.</i></p> <p><i>Section 4.2 — information relating to FMR and FOC dates.</i></p>
AIR 5349 Phase 6 Advanced Growler Development (Advanced Growler)	<p>Materiel Release 2 to 9</p> <p><i>MTTES RFT 1 to 4</i></p> <p>Tranche 2 Investment Committee</p> <p>Tranche 2 Second Pass Approval</p> <p><i>Tranche 1 Initial Operational Capability (IOC)</i></p> <p>Tranche 1 Operational Capability (OC2)</p> <p>Capability, milestone dates and variance information <i>and in Notes 3, 4 and 6.</i></p>	<p><i>Section 1.1, Section 1.2, Section 3.1, Section 3.2 and Section 4.2 — information relating to capability, milestone dates and variance.</i></p>
LAND 121 Phase 3B Medium Heavy Capability, Field Vehicles, Modules and Trailers	<p><i>Note 4, information in relation to caveats.</i></p>	<p><i>Section 1.2, Section 1.3 — information relating to schedule performance, caveats and project major issues.</i></p> <p><i>Section 3.2 — information relating to milestone dates and variance for MHGA/MHGS, and vehicles and a Note.</i></p> <p><i>Section 4.1 — information relating to caveats with FOC.</i></p> <p><i>Section 4.2 — information relating to FMR and FOC.</i></p>

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
		<p><i>Section 5.2 — information relating to caveats.</i></p> <p><i>Section 5.3 — information relating to major issues and a major project issue.</i></p>
<p>AIR 7000 Phase 1B MQ-4C Triton Remotely Piloted Aircraft System (MQ-4C Triton)</p>	<p><i>In Service Date (ISD).</i></p> <p><i>Initial Materiel Release (IMR).</i></p> <p><i>Initial Operational Capability (IOC).</i></p> <p><i>Final Materiel Release (FMR).</i></p> <p><i>Final Operational Capability (FOC).</i></p> <p>Capability, milestone dates and variance information and notes.</p>	<p>Section 1.2, Section 1.3, Section 3.2, Section 4.1 and Section 4.2 — information relating to capability, other current related project information and milestone dates and variance.</p>
<p>AIR 555 Phase 1 Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) Capability (Peregrine)</p>	<p>Initial Materiel Release (IMR).</p> <p>Initial Operational Capability (IOC).</p> <p>Final Materiel Release (FMR).</p> <p>Final Operational Capability (FOC).</p> <p>Capability, milestone dates and variance information and Note 5.</p>	<p>Section 1.2, Section 1.3, Section 3.2 Section 4.1 and Section 4.2 — information relating to cost performance, capability, other current related project information, schedule dates and variances, including in Notes 3, and 5 of Section 3.2.</p>
<p>LAND 907 Phase 2/ LAND 8160 Phase 1, Main Battle Tank Upgrade, Combat Engineering Vehicle (Heavy Armoured Capability)</p>	<p>Initial Materiel Release (IMR).</p> <p>Initial Operational Capability (IOC).</p> <p>Final Materiel Release (FMR).</p> <p>Final Operational Capability (FOC).</p> <p>Capability, milestone dates and variance information.</p>	<p><i>Section 1.2 — information relating to schedule progress.</i></p> <p>Section 3.1, Section 3.2 and Section 4.2 — information relating to milestone dates and variance including in Notes 3 and 5 of Section 3.2.</p>
<p>LAND 121 Phase 4 Protected Mobility Vehicles Light (Hawkei)</p>	<p>Nil.</p>	<p><i>Section 1.2 — information relating to capability.</i></p> <p><i>Section 3.2 — information relating to milestone dates, variance and in Note 7.</i></p> <p><i>Section 4.1 — information relating to the red category.</i></p>
<p>SEA 9100 Phase 1 – Improved Embarked Logistics Support Helicopter (IE Logistics Support Helicopter)</p>	<p><i>Initial Materiel Release (IMR.)</i></p> <p><i>Initial Operational Capability (IOC)</i></p> <p><i>Final Materiel Release (FMR)</i></p> <p><i>Final Operational Capability (FOC)</i></p> <p><i>Capability, milestone dates and variance information and a Note.</i></p>	<p><i>Section 1.2 — information relating to schedule.</i></p> <p><i>Section 3.2 and Section 4.2 — information relating to milestone dates and variance, including a Note in Section 3.2.</i></p>

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Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
AIR 2025 Phase 6 Jindalee Operational Radar Network (JORN Mid-Life Upgrade)	Initial Operational Capability (IOC). Materiel Release 2 (MR2). Operational Capability 2 (OC2). Final Materiel Release (FMR) Final Operational Capability (FOC) Capability, milestone dates and variance information.	Section 1.2, Section 3.1, Section 3.2 and Section 4.2 — information relating to milestone dates, variance and capabilities.
LAND 19 Phase 7B Short Range Ground Based Air Defence (SRGB Air Defence)	Final Materiel Release (FMR) Final Operational Capability (FOC) <i>Capability, milestone dates and variance information.</i>	Section 1.2, Section 2.3B, Section 3.2 and Section 4.2 — information relating to weapons quantities and milestone dates and variance.
<i>AIR 5431 Phase 3 – Civil Military Air Management System (CMATS)</i>	<i>Nil.</i>	<i>Section 5.3 — information relating to a major project issue.</i>
LAND 200 Tranche 2 Battlefield Command System	Initial Materiel Release (IMR). Initial Operational Capability (IOC). Final Materiel Release (FMR.) Final Operational Capability (FOC.) Capability, milestone dates and variance information.	<i>Section 1.2 — information relating to scheduling.</i> Section 3.1, Section 3.2 and Section 4.2 — information relating to milestone dates and variance.
SEA 1439 Phase 5B2 Collins Class Communications and Electronic Warfare Improvement Program (Collins Comms and EW)	<i>FMR MWES.</i> <i>FMR Stage 2.</i> <i>Final Operational Capability (FOC) stage 1, 2 & MWES.</i> Reasons for delay are not for publication. Capability, milestone dates and variance information, in Note 10 and two Notes.	Section 1.2, <i>Section 1.3</i> , <i>Section 2.1</i> Section 4.2 and <i>Section 5.3</i> — information relating to milestone dates, constitution of materiel releases and major project issues, including in Note 3 to Section 2.1.
<i>SEA 3036 Phase 4 Pacific Patrol Boat Replacement (Pacific Patrol Boat Repl)</i>	<i>Final Materiel Release (FMR)</i> <i>Final Operational Capability (FOC)</i> <i>Capability, milestone dates and variance information</i>	<i>Section 1.2, Section 1.3, Section 3.2 and Section 4.2 — information regarding milestone dates and variance.</i> <i>Section 1.3 information regarding a major project issue.</i>

Project	Section 3.3 of PDSS Information not for publication	Other sections of PDSS Information not for publication
SEA 1442 Phase 4 Maritime Communications Modernisation (Maritime Comms)	Materiel Release 7 – Ship #7. Final Materiel Release (FMR). Final Operational Capability (FOC) Capability, milestone dates and variance information.	Section 3.2 and Section 4.2 — information relating to milestone dates and variance.
<i>SEA 1448 Phase 4B ANZAC Air Search Radar Replacement (ANZAC Air Search Radar Repl.)</i>	<i>Final Materiel Release (FMR). Final Operational Capability (FOC). Capability, milestone dates and variance information and in Note 7.</i>	<i>Section 1.2, Section 3.2 and Section 4.2 — information relating to milestone dates and variance.</i>

Notes: Information not for publication that has changed from 2022–23 is marked in italics.

LAND 4503 Phase 1 ARH Replacement and SEA 9100 Phase 1 IE Logistics Support Helicopter are included in the MPR for the first time in 2023–24.

My conclusion is not modified in respect of this matter.

Responsibilities of the Secretary of Defence for the Project Data Summary Sheets

The Secretary of Defence is responsible for the preparation and presentation of the PDSSs for the 21 selected Major Projects and the *Statement by the Secretary of Defence*, in accordance with the Guidelines. This responsibility includes the design, implementation and maintenance of internal control that the Secretary determines is necessary to enable the preparation of PDSSs that are free from material misstatement, whether due to fraud or error. The Guidelines provide that the PDSSs and supporting evidence, provided to the ANAO for review, are complete and accurate.

Independence and Quality Control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements and applied Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* in undertaking this limited assurance review.

Responsibilities of the Auditor-General

My responsibility is to express an independent limited assurance conclusion on the PDSSs and *Statement by the Secretary of Defence*, based on the procedures I have performed and the evidence I have obtained. ASAE 3000 requires that I plan and perform my procedures to obtain limited assurance about whether anything has come to my attention that the PDSSs and the *Statement by the Secretary of Defence* have not, in all material respects, been prepared in accordance with the Guidelines.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of: making enquiries of managers and others within the entity, as appropriate; the examination of documentation; and the evaluation of the evidence obtained. The procedures selected depend on my judgement, including identifying areas where the risks of material

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misstatement are likely to arise. The procedures performed are detailed at paragraph 1.7 of Part 1 of this report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than those performed for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on whether the PDSSs and the *Statement by the Secretary of Defence* are prepared in all material respects in accordance with the Guidelines.



Dr Caralee McLiesh PSM
Auditor-General

13 December 2024

Statement by the Secretary of Defence

The 21 Defence Major Projects Project Data Summary Sheets included in this report have been prepared in accordance with the Guidelines developed by Defence in consultation with the ANAO and endorsed by the Joint Committee of Public Accounts and Audit.

Project Status, as at 30 June 2024

In my opinion, the PDSSs comply in all material respects with the Guidelines and reflect the status of the projects as at 30 June 2024.

Significant Events Occurring post-30 June 2024

In stating this opinion that the PDSS comply in all material respects with the Guidelines, I acknowledge the following material events have occurred post-30 June 2024:

- *Maritime Communications Modernisation (SEA 1442 Phase 4)*. Achieved Materiel Release 7 (HMAS Ballarat) in November 2024¹.
- *Pacific Patrol Boat Replacement (SEA 3036 Phase 1)*. Delivered NUSHIP Tobwaan Mainiku to the Republic of Kiribati in July 2024 and NUSHIP Te Mataili III to Tuvalu in September 2024.
- *Medium Heavy Capability, Field Vehicles, Modules and Trailers (LAND 121 Phase 3B)*. Defence commenced project closure in October 2024, with the project achieving Final Operating Capability with caveats in December 2023.
- *Battlefield Command System (LAND 200 Tranche 2)*. Training equipment and assemblages were delivered in July 24.
- *Main Battle Tank Upgrade/ Combat Engineering Vehicle Acquisition (LAND 907 Phase 2 and LAND 8160 Phase 1)*. Delivered 46 M1A2 Abrams Main Battle Tanks to Australia and commenced introduction into service, with both Operator and Maintainer Training being conducted.
- *Jindalee Operational Radar Network (JORN) Mid-Life Upgrade (AIR 2025 Phase 6)*. The project exited the Projects of Interest list in August 2024.
- *New Air Combat Capability (AIR 6000 PHASE 2A/2B)*. The Distributed Mission Training capability was delivered in August 2024 and the State Significant Development Application for the Air Vehicle Depot Stage Two expansion was approved in September 2024. Five of the remaining nine Australian F-35A Air Vehicles have now been accepted by Defence. The remaining four F-35A Air Vehicles are scheduled for acceptance by early December 2024.
- *MQ-4C Triton (AIR 7000 Phase 1B)*. The first MQ-4C Triton aircraft (A57-001) completed its ferry flight to Australia and, in July 2024, the Deputy Prime Minister and the Chief of the Royal Australian Air Force announced that the Royal Australian Air Force had taken possession of its first MQ-4C Triton. The Uncrewed Aircraft System Operating Permit (UASOP) was issued for the Australian MQ-4C in September 2024.

¹ This project included a milestone in their PDSS as 'Not For Publication' as at 30 June 2024. This milestone has since been achieved.

- *Battlespace Communications Systems (JOINT 2072 Phase 2B)*. Delivered the remaining two Headquarters on the Move (HQOTM) vehicles in October 2024.

Update on Projects of Interest and Projects of Concern

- No 2023–24 MPR project has entered Project of Interest list since July 2024.
- *Jindalee Operational Radar Network (JORN) Mid-Life Upgrade (AIR 2025 Phase 6)*. The project exited the Project of Interest list in August 2024.
- No 2023–24 MPR project has either entered or exited Project of Concern list since July 2024.

Update on Projects that exited the in 2022–23 MPR

- *Supply Class Replenishment Ships (SEA 1654 Phase 3)*.
 - The final system required under the Auxiliary Oiler Replenishment (AOR) ship acquisition contract was accepted by the Commonwealth; however, ongoing Latent Defects which resulted in neither ship being available at the end of the reporting period have delayed project closure. Final Operating Capability has been deferred, pending successful return of both vessels to operational service, which is now expected in 2025.
 - Defence, in conjunction with the contractor, continue to investigate and rectify Latent Defects. While most of the latent defects are fairly common in newly acquired capabilities, there have been some related to the propulsion system and propeller shaft in HMAS Supply that have required significant repair effort. HMAS Supply has conducted two docking activities in 2024 to remediate the root cause of these defects.
 - HMAS Stalwart suffered shaft line alignment issues which resulted in reduced availability in 2023–24. Following repairs in April 2024, HMAS Stalwart returned to service before experiencing unrelated defects to both propulsion diesel engines in June 2024. Repair work is being conducted at Fleet Base West.
- *Night Fighting Equipment Replacement (LAND 53 Phase 1BR)*. The project declared Final Operating Capability on 8 February 2024. Sustainment of the capability is managed under the Chief of Army’s Product Schedule CA29 – Surveillance. Project closure activities are due to be completed by end of 2024.
- *Growler (AIR 5349 Phase 3)*. The project completed residual weapons clearances for the AIM-9X Sidewinder and AIM-120 Advanced Medium Range Air-to-Air Missile on the EA-18G Growler platform. Work to complete the delivery of the Mobile Threat Training Emitter System continues, with completion scheduled in December 2024. The project will deliver all remaining scope within the approved budget, and is managing a range of long-lead Airborne Electronic Attack system scope elements.
- *P-8A Poseidon (AIR 7000 Phase 2)*. The project has continued planning for the acquisition of additional two P-8A aircraft and support elements in line with the Government-approved change in Final Operating Capability. Of note, in May 2024, as a result of the Government’s approval of the Rebuilt Integrated Investment Program 2024, outstanding deliverables from AIR 7000 Phase 2B, together with AIR 7000 Phase 2C, are to be rolled into AIR 7000 P-8A Poseidon.

Statement by the Secretary of Defence

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- *Battlefield Airlift – Caribou Replacement (AIR 8000 Phase 2)*. The project achieved Final Operating Capability in June 2022. Materiel Release 3 (June 2025) and Materiel Release 4 (June 2033) remain to be delivered. Materiel Release 3 is delayed, with delivery no earlier than February 2027 due to delayed progress with the Flight Training Device and Commonwealth Avionics Update. The Flight Training Device Detailed Design Review has been completed with device acceptance forecast for September 2025. When contracted, the earliest achievable completion date for the Commonwealth Avionics Update was December 2026. A subsequent contract change has delayed completion to February 2027. Materiel Release 4 is forecast for completion early in June 2028 due to change of method of completion of the Structural Substantiation Program, permitting early project closure.

Security Review of PDSS

A security classification review of the information contained within the PDSS for release in the 2023–24 MPR has been completed.

The purpose of the security review is to ensure that each individual PDSS reflects data at an ‘unclassified’ level and to confirm the aggregated information is not a risk to national security, and is suitable for public release through tabling in Parliament.

It is assessed that some details, both with respect to independent projects and in the aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitisation of the data. These details have been removed from the relevant PDSS. This is marked in the PDSS by the terms “NFP” meaning Not for Publication, or “Delayed” meaning delayed from the Original Planned date or the Forecast date in the 2023–24 PDSS.



Greg Moriarty
Secretary
Department of Defence

11 December 2024

Project Data Summary Sheets

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Project Data Summary Sheet¹

Project Number	SEA1180 Phase 1
Project Name	OFFSHORE PATROL VESSEL
First Year Reported in the MPR	2018-19
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Nov 17
Budget at 2nd Pass Approval	\$3,639.1m
Total Approved Budget (Current)	\$3,704.8m
2023–24 Budget	\$289.0m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

SEA1180 Phase 1 Offshore Patrol Vessel (OPV) (The Project) was Approved by Government in 2017 to acquire 12 new vessels based on an existing design, to replace and improve upon the capability delivered by the 13 Armidale Class Patrol Boats (ACPB). The primary role of the OPV is maritime patrol and response operations in support of the National Civil Surveillance Program in order to contribute to protecting Australia's territory, territorial seas, and Economic Exclusion Zone (Constabulary Tasks). In addition to the OPVs, the project will acquire Seaboats for the vessels, through a separate contract. These consist of two Rigid Hull Inflatable Boats and one Rapid Intercept Craft for each OPV to facilitate boarding operations.

On 20 February 2024, the Government released the Enhanced Lethality Surface Combatant Fleet Independent Analysis, which recommended the reduction of the number of Arafura class OPVs from 12 to six. The Government accepted the recommendation.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$218.2m against FY 2023-24 budget of \$289.0m. The End of Financial year (EOFY) underspend of \$70.8m was primarily in the areas of Ships Construction (\$56.1m), Government Furnished Equipment (\$6.2m), Life-of-Type Extension (\$5.9m) and Seaboats (\$2.0m). The variation is mainly due to delays to acceptance of OPVs 1 and 2, which were not achieved as expected in 2023-24.

Project Financial Assurance Statement

As at 30 June 2024, project SEA1180 Phase 1 is implementing the Government decision to reduce the scope of the contract. As at the reporting date, Defence considers there is sufficient budget with contingency remaining for the Project to be completed against the revised scope. This is based on the current financial and contractual obligations of Defence for this Project, as well as current known risks and estimated future expenditure.

Contingency Statement

The Project has not applied contingency in the FY 2023-24.

Schedule Performance

The Project achieved Second Pass Government approval on 24 November 2017 and Defence signed the acquisition contract with Luerssen Australia Pty Ltd on schedule on 31 January 2018. An intensive design review program has been conducted and construction of the first OPV commenced in South Australia on schedule in November 2018. A Whole-of-Ship Design Review was added to the program and conducted in late October 2019. The Support System Detailed Design Review was delayed to September 2021 to allow a Logistic Support Analysis program to be established effectively in November 2020.

The contracted keel-laying milestone for OPV 1 (Arafura) was achieved in February 2019. Production of OPV 2 (Eyre) commenced in June 2019, two months ahead of schedule, with keel laying occurring on 9 April 2020. OPV 3 (Pilbara) commenced construction in Western Australia, ahead of schedule on 27 March 2020 and the keel-laying milestone for OPV 3 was achieved on 16 June 2020. OPV 4 (Gippsland) also commenced construction on schedule on 4 January 2021, with the keel laying ceremony held on 30 July 2021. OPV 5 (Illawarra) commenced construction on schedule on 1 November 2021, with keel laying on 31 March 2022. OPV 6 (Carpentaria) commenced construction on 1 August 2022 with keel laying on 5 December 2022. OPV 1 was launched on 16 December 2021. OPV 2 was launched on 22 November 2023.

There are delays to construction of all ships and the Support System, impacting the availability of vessels for constabulary operations requiring Navy to extend ageing ACPB and other legacy vessels. Delivery of OPV 1 by Luerssen Australia Pty Ltd has been further delayed from the last Major Projects Report (MPR) forecast delivery date of November 2023. The schedule delays are the subject of ongoing discussions and remediation activities between Defence and Luerssen Australia Pty Ltd.

On 20 October 2023, Defence announced that the Project was listed as a Project of Concern (POC), mainly due to significant

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

delays in delivery of both the vessels and the associated Support System.
The FOC date will be re-promulgated following Government's decision to reduce the scope of the project from 12 ships to six. The Project is also working collaboratively with Navy to reduce the impact of delayed ship delivery to Initial Operational Capability.
<p>Material Capability/Scope Delivery Performance</p> <p>In June 2021, due to delays in delivery as a result of COVID-19 and technical certification concerns by Navy, Luerssen Australia Pty Ltd was directed to terminate the main gun contract with Leonardo Australia Pty Ltd and investigate an interim gun solution. The interim main gun for the Arafura OPV will be the existing Navy 25mm Typhoon Mod 0 from the ACPB until a replacement gun is identified, which will account for a revised threat assessment and a requirement for commonality.</p> <p>On 20 February 2024, the Government released the Enhanced Lethality Surface Combatant Fleet Independent Analysis report and accepted the reduction of the number of OPVs from 12 to six. Defence is implementing this decision. Defence issued Luerssen Australia Pty Ltd a Scope Reduction Notice on 5 March 2024.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>The Project was approved by Government in 2017 to acquire 12 OPVs to replace the existing ACPB. In August 2015, the Government announced that the Project would become part of the continuous naval shipbuilding program and brought forward the construction of the OPVs by two years to enable the start of the naval shipbuilding program by 2018.</p> <p>In September 2015, the Government approved funding for the commencement of the Competitive Evaluation Process (CEP) for the Project. Interim Pass Approval was provided by Government in November 2015 and First Pass Approval was provided in April 2016. The Government also announced at First Pass that OPV designs from B.V. Scheepswerf Damen Gorinchem (Netherlands), Fr. Fassmer GmbH & Co. KG (Germany) and Luerssen Australia Pty Ltd (Germany) had been shortlisted for the Risk Reduction Design Study.</p> <p>A Request for Tender was released in November 2016. Government announced Luerssen Australia Pty Ltd as the preferred tenderer on 24 November 2017. The Government also announced that the capabilities of Austal Ships Pty Ltd and Cimvec Construction and Engineering Pty Ltd would be used to build 10 OPVs subject to the conclusion of commercial negotiations between Luerssen Australia Pty Ltd and Austal Ships Pty Ltd.</p> <p>The contract for the construction of 12 OPVs was signed with Luerssen Australia Pty Ltd on 31 January 2018. Luerssen Australia Pty Ltd nominated Cimvec Construction and Engineering Pty Ltd to construct the remaining 10 OPVs and contracted Cimvec Construction and Engineering Pty Ltd initially to acquire and prepare the steel and pipe for all 12 OPVs from Australian sources (where available). Luerssen Australia Pty Ltd also established contracts with L3 Communications Australia Pty Ltd as a systems integrator and Saab Australia Pty Ltd for a Situational Awareness System. The Commonwealth elected to purchase the Rigid Hull Inflatable Boats and Rapid Intercept Crafts (the Seaboats) based on Luerssen Australia Pty Ltd's OPV design from Boomeranger Boats Oy.</p> <p>The project did not undergo a Smart Buyer activity due to it already having had a similar risk review as part of an Independent Assurance Review.</p> <p>Defence listed the Project as a POC in October 2023 due primarily to the significant delays experienced in the delivery of both the vessels and the associated Support System. The POC process brings senior stakeholders from Government and industry together to set out an agreed pathway to remediate listed projects. Defence and Luerssen Australia Pty Ltd have committed to working collaboratively to resolve the significant challenges experienced with the delivery schedule for the OPV capability, as detailed in the agreed POC Remediation Plan.</p> <p>Defence issued a suspension of payment letter to Luerssen Australia Pty Ltd on 21 March 2024 due to late delivery of the support system for the OPVs.</p>
<p>Uniqueness</p> <p>The Arafura class OPV design is based on an existing design in service with the Royal Brunei Navy (Darussalam class). Originally, only minimal changes were considered necessary to meet Australian Legislative and Regulatory requirements and specific Australian Defence Force communications and situational awareness needs, the inclusion of a bow thruster and an additional reverse osmosis plant. In 2022, Defence identified that changes were required to meet Australian regulatory standards primarily to improve the structural fire protection of the ship and other safety design changes, prior to conducting sea acceptance trials via Australian Maritime Safety Authority accreditation.</p>
<p>Major Risks and Issues</p> <p>The Project is currently managing the following major issues:</p> <ul style="list-style-type: none"> Contract Acceptance of OPVs 1 and 2 that are being built in Osborne have been significantly delayed due to issues in production and acceptance testing activities, resulting in late delivery of capability to Navy. Contract Acceptance of OPV 3, OPV 4, OPV 5 and OPV 6 being built in Henderson have been significantly delayed due to issues in ship production resulting in late delivery of the capability to Navy. <p>The causes of the delays are the subject of ongoing discussions and remediation by the Defence and Luerssen Australia Pty Ltd.</p> <p>The Project is currently managing the following major risks:</p> <ul style="list-style-type: none"> There is a risk that Contract Acceptance for OPVs 1 and 2 may be further delayed beyond the current Luerssen Australia Pty Ltd forecast caused by ongoing issues in production and acceptance testing activities resulting in delayed delivery of the capability to Navy. There is a risk that Contract Acceptance for OPVs 3 to 6 may be further delayed beyond the current Naval Construction Branch (NCB) forecast (in the absence of schedules provided by Luerssen Australia Pty Ltd.) caused by ongoing issues in

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<p>production, inadequate access to ship building facility in Henderson Western Australia, and acceptance testing activities resulting in delayed delivery of the capability to Navy.</p> <ul style="list-style-type: none"> There is a risk that the OPV Support System will be delivered later than currently forecast by Luerssen Australia Pty Ltd. There is a risk that the current delivery schedule and project budget may be affected by prolonged resolution of POC activities, commercial and contractual issues, and reduction in project scope from 12 to six OPVs.
<p>Other Current Related Projects/Phases Related projects include:</p> <p>SEA5000 Phase 1 – Future Frigate (Hunter Class Frigates). Six Hunter Class frigates will be based on BAE Systems' Type 26 Global Combat Ship design, modified to meet Australian requirements, and will be built in Osborne, South Australia as part of the Continuous Naval Shipbuilding Program. The Hunter Class frigates will be built in Osborne alongside the first two OPVs.</p> <p>N2263 – Infrastructure Project for the Arafura class OPV. This project will provide berthing, training, maintenance, logistics, and support facilities at His Majesty's Australian Ship (HMAS) <i>Stirling</i>, HMAS <i>Coonawarra</i>, and HMAS <i>Cairns</i> to support the introduction into service of the new OPVs being delivered by Luerssen Australia Pty Ltd.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Sep 15	Original Approved	10.0	1
Nov 15	Interim Pass Approval	1.5	2
Apr 16	Government First Pass Approval	45.9	3
Nov 17	Government Second Pass Approval	3,581.7	4
	Total at Second Pass Approval	3,639.1	
Jun 24	Exchange Variation	65.7	
Jun 24	Total Budget	3,704.8	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Luerssen Australia Pty Ltd	(1,064.7)	5
	Contract Expenditure – Nova Systems Australia Pty Ltd	(57.8)	
	Contract Expenditure – Boomeranger Boats Oy	(15.2)	
	Other Contract Payments / Internal Expenses	(198.9)	6
		(1,336.5)	
FY to Jun 24	Contract Expenditure – Luerssen Australia Pty Ltd	(126.1)	7
	Contract Expenditure – Nova Systems Australia Pty Ltd	(20.2)	
	Contract Expenditure – Boomeranger Boats Oy	(15.7)	
	Other Contract Payments / Internal Expenses	(56.3)	8
		(218.3)	
Jun 24	Total Expenditure	(1,554.7)	
Jun 24	Remaining Budget	2,150.1	
Notes			
1	Funding in support of bringing the Project forward by two years and establishing a continuous onshore build.		
2	Funding for the conduct of the initial phase of the CEP.		
3	Continuation/Completion of CEP, which included Project Support, a Risk Reduction Design Study and Schedule Protection Activities.		
4	This approval included \$103.7m to support the transition from ACPB to the OPVs, including support for the life of type extension and lease extension of two Cape Class Patrol Boats.		
5	Prime Contract with Luerssen Australia Pty Ltd. The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.		
6	Other expenditure prior to July 2023 comprises (\$56.8m) for the Project Office, (\$48.5m) for OPV Transition, (\$42.4m) of Government Furnished Equipment, (\$35.5m) for Gate 1 activities and (\$15.8m) for other contract payments/internal expenses.		

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

7	On 21 March 2024, the Project issued a suspension of payment letter to Luerssen Australia Pty Ltd for not delivering the support system for the OPVs.
8	Other Contract Payments/Internal expenditure in FY 2023-24 comprises (\$25.4m) for expenditure categorised as other contract payments/internal expenses, (\$12.9m) for Government Furnished Equipment, (\$12.9m) for OPV Transition and (\$5.2m) for the Project Office.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
413.8	418.8	289.0	<p><u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u>: Increase was to account for expected delivery of the Support System and OPV 1 and Launch of OPV 2. This was followed by a re-phasing at PBS December 2022 moving Support System Delivery from April 2023 to October 2023.</p> <p><u>PAES to Final Plan</u>: Variance is due to ships construction delay relating to OPV 1 and OPV 2 acceptance and delay in delivery of Support System.</p>
Variance \$m	5.0	(129.8)	Total Variance (\$m): (124.8)
Variance %	1.2	(31.0)	Total Variance (%): (30.2)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(71.9)	Australian Industry	The EOFY underspend of \$70.8m is primarily in the areas of Ships Construction (\$56.1m), Government Furnished Equipment (\$6.2m), Life-of-Type Extension (\$5.9m) and Seaboats (\$2.0m). The EOFY underspend in Ship Construction of (\$56.1m) is attributed to delays in Luerssen Australia Pty Ltd delivering OPVs 1 and 2 acceptance milestones, which are now forecast to be achieved Quarter 4 2024 & Quarter 2 2025. OPVs 3 onwards are also delayed. Other contributing factors include the underspend in a training delivery milestone for (\$4.4m) due to implementation of the Stop Payment Milestone. There are also delays associated with the Commonwealth and Luerssen Australia Pty Ltd agreeing to unapproved Contract Change Proposals (CCP's) (\$5.7m).
		(2.1)	Foreign Industry	
		-	Early Processes	
		3.2	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
289.0	218.2	(70.8)	Total Variance	
		(24.5)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Nova Systems Australia Pty Ltd	Jun 16	12.6	106.7	Firm or Fixed	Standard Defence Contract	1, 4
Luerssen Australia Pty Ltd	Jan 18	1,988.0	2,737.4	Fixed with forecast Escalation	Standard Defence Contract (Complex)	1, 2, 3
Boomeranger Boats Oy	Oct 19	42.2	57.8	Fixed with forecast Escalation	Modified Standard Defence Contract	1, 2
Notes						
1	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable). Amounts expensed convert using the spot rate of the day therefore due to calculation method 30 June 2023 value will reflect a variance to prior reporting period.					
2	The price is the value in out-turned dollars (as at 30 June 2024) using Commonwealth cumulative escalation indices. While price escalation models are built into the contract, the price at signature does not include an estimate across the forward commitment (expected expenditure). The price at 30 June 2024 includes this estimate, which is the reason for the large difference between the two figures.					
3	The increase in price from the prior year was due to changes to commercial arrangements and additional requirements.					
4	The increase in value of the Nova Systems Australia Pty Ltd contract is attributed to the additional resources required. These included Integrated Logistics Support Management, Data and Configuration Management, System and Software Engineering-Safety Management, and Specialist Engineering-Maritime Systems.					

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2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Nova Systems Australia Pty Ltd	N/A	N/A	Support to the OPV's Project	-
Luersssen Australia Pty Ltd	12	6	6 OPVs	-
Boomeranger Boats Oy	41	41	27 Rigid Hull Inflatable Boats and 14 Rapid Intercept Craft	-

Major equipment accepted and quantities to 30 Jun 24
17 Seaboats have been delivered between 1 July 2023 and 30 June 2024 from Boomeranger Boats Oy.
Notes
N/A

2.4 Australian Industry Capability

Summary
The Project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement that are captured in Luerssen Australia Pty Ltd's AIC Plan and Nova Systems Australia Pty Ltd AIC Plan in support of Shipbuilding and Integrated Logistic Support activities.
The Project has no contracted AIC target or AIC Plan for Boomeranger Boats Oy as boats are procured direct from an overseas manufacturer. This contract pre-dates the AIC program.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	Platform System – Stream A	Jun 18	N/A	Jun 18	0	-
Preliminary Design		Aug 18	N/A	Aug 18	0	-
Detailed Design		Oct 18	Nov 18	Nov 18	1	1
System Requirements	Platform System – Stream B	Jun 18	N/A	Jun 18	0	-
Preliminary Design		Nov 18	Dec 18	Dec 18	1	1
Detailed Design		Feb 19	N/A	May 19	3	1
System Requirements	Command and Control System	Jun 18	N/A	Jun 18	0	-
Preliminary Design		Dec 18	Nov 18	Nov 18	(1)	-
Detailed Design		Mar 19	N/A	Mar 19	0	-
System Requirements	Communication and Navigation System	Jun 18	N/A	Jun 18	0	-
Preliminary Design		Jan 19	N/A	Nov 18	(2)	1
Detailed Design		Apr 19	N/A	May 19	1	-
Preliminary Design	Support System	Nov 18	N/A	Jun 19	7	1, 2
Detailed Design		Jun 19	Mar 20	Sep 21	27	1, 2, 3
Detailed Design Review	Whole of Ship	Oct 19	N/A	Oct 19	0	2
Notes						
1	Variance was agreed by the parties at CCP 001 and incorporated under Contract Amendment 3.					

2	CCP007 proposed to delay the Support System Detailed Design (SSDD) by 12 months and reduce the SSDD milestone review value commensurate with the other detailed design milestone values in order to create new milestones for a whole-of-ship Detailed Design, Integrated Baseline Review (IBR) with ASC Shipbuilding Australia Pty Ltd, and an IBR with Luerssen Australia Pty Ltd. The whole-of-ship Detailed Design will be a complete assessment of the detailed design including antenna arrays. The IBR milestones are proposed to finalise Luerssen Australia Pty Ltd's establishment of the Earned Value Management System (EVMS).
3	The Support System Design Review was delayed to allow a Logistic Support Analysis program to be established effectively and occurred in November 2020. Outstanding actions were identified and was exited in September 2021.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Acceptance	OPV 1 (Arafura)	Dec 21	Jun 22	Sep 24	33	1, 4
Acceptance	OPV 2 (Eyre)	Sep 22	Mar 23	NFP	NFP	1, 4
Acceptance	OPV 3 (Pilbara)	May 23	Jun 24	Jul 24	14	2, 3, 4
Acceptance	OPV 4 (Gippsland)	Feb 24	Nov 24	NFP	NFP	2, 3, 4
Acceptance	OPV 5 (Illawarra)	Nov 24	N/A	Nov 24	0	3,4
Acceptance	OPV 6 (Carpentaria)	NFP	N/A	NFP	NFP	3,4
Acceptance	OPV 7	NFP	N/A	N/A	N/A	5
Acceptance	OPV 8	NFP	N/A	N/A	N/A	5
Acceptance	OPV 9	NFP	N/A	N/A	N/A	5
Acceptance	OPV 10	NFP	N/A	N/A	N/A	5
Acceptance	OPV 11	NFP	N/A	N/A	N/A	5
Acceptance	OPV 12	NFP	N/A	N/A	N/A	5
Notes						
1	The COVID-19 pandemic impacted multiple aspects relating to construction and in particular, activities at Osborne Shipyard in South Australia from March to October 2020. COVID-19 has continued to have an adverse and significant effect on production and ship building operations including supply chain disruptions, resource limitations and resulted in hard border closures between Western Australia and South Australia.					
2	Commercial issues between Luerssen Australia Pty Ltd and Cimec Construction and Engineering Pty Ltd also resulted in additional schedule delays to delivery of OPV 3 and OPV 4 being constructed in Henderson, Western Australia. These issues included the competition for skilled workers between the mining and manufacturing industries within Western Australia and COVID-19 border closures impacting the fly-in/fly-out workforce. This generated increasing competition for skilled workers significantly affecting local shipbuilders and introducing production delays to OPV 3 and OPV 4.					
3	An IBR was unable to be held in November 2022 due to the restructure of contracting arrangements between Luerssen Australia Pty Ltd and Cimec Construction and Engineering Pty Ltd in Henderson. This resulted in Luerssen Australia Pty Ltd needing to adapt their German based production system for Henderson, which is a major component of the EVMS. The dates for OPVs 3 to 6 are under review and may be updated as part of next year.					
4	Changes to OPV 1 and OPV 2 delivery dates were made via CCP in August 2021, changes to OPV 3 and OPV 4 were made via CCP in September 2022. The IBR for OPV 3 to OPV 6 will be conducted in the future. The forecast dates are sourced from the most recently received schedules from Luerssen Australia Pty Ltd as at 30 June 2024.					
5	Achieved/Forecast dates Not Applicable following the Government accepting the recommendation of the Enhanced Lethality Surface Combatant Fleet Independent Analysis to reduce the number of OPVs from 12 to six.					

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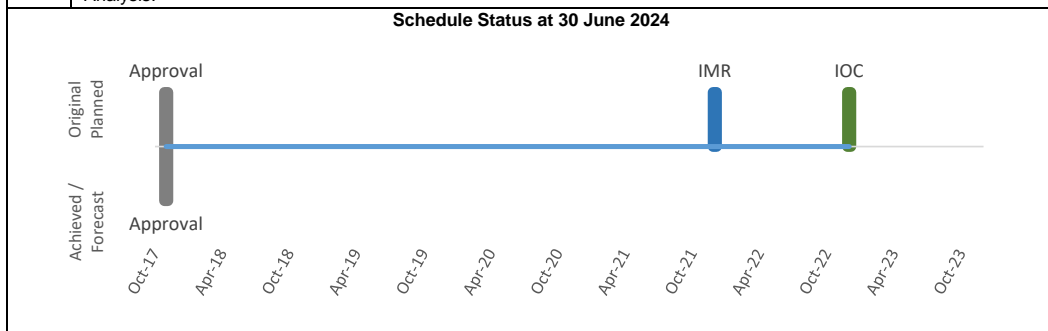
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Dec 21	Delayed from Jan 24	TBD	1
Initial Operational Capability (IOC)	Dec 22	Delayed from Aug 24	TBD	1
Final Materiel Release (FMR)	NFP	NFP	NFP	1
Final Operational Capability (FOC)	NFP	NFP	NFP	1

Notes

1	Dates for this section are under development following the Enhanced Lethality Surface Combatant Fleet Independent Analysis.
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Note	
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance

<p>62.8%</p>	<p>Green:</p> <p>Following the release of the Independent Analysis of Navy's Surface Combatant Fleet, which was announced in February 2024, the Project will now deliver six OPVs. The capability/scope will be reassessed once the reduction in scope activities have been completed in FY 2024-25. The percentage has been calculated based on the value of the remaining ships, the support system, and initial design activities.</p>
<p>0.4%</p>	<p>Amber:</p> <p>The OPV weapon systems include the main gun and two 0.5 inch calibre machine guns with the Seaboats used for Constabulary Operations. Due to technical certification concerns by Navy, Luerssen Australia Pty Ltd was directed to terminate the main gun contract with Leonardo Australia Pty Ltd and implement an interim gun solution. The interim main gun for the Arafura OPV will be the existing Navy 25mm Typhoon Mod 0 from the ACPB until a replacement gun is identified.</p>
<p>36.8%</p>	<p>Red:</p> <p>Due to the fleet review the project scope has been reduced from 12 to six OPVs. The Capability Delivery Performance has been assessed as a percentage of the milestone payments associated with OPVs 7 to 12 not yet paid against the total Luerssen Australia Pty Ltd contract value minus the gun scope reduction assessed as 0.4 percent.</p>

Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	OPV 1 was delivered ready for Operational Test and Evaluation (OT&E). Those Capability Acquisition and Sustainment Group (CASG) Fundamental Inputs to Capability (FIC) elements, including transition into sustainment as defined by the OPV Support System, are sufficient to support OT&E. IMR dates will be determined following POC actions and Scope Reduction negotiations.	Not yet Achieved
Initial Operational Capability (IOC)	IOC is achieved when Navy can be assured that the first OPV can demonstrate that it can be operated and maintained to conduct effective and sustained operations. IOC dates will be determined following POC actions and Scope	Not yet Achieved

	Reduction negotiations.	
Final Materiel Release (FMR)	OPVs delivered in accordance with Government Approved scope. The final OPV delivered ready for OT&E. Those Naval Shipbuilding and Sustainment Group FIC elements including transition into sustainment as defined by the OPV Support System sufficient to support OT&E for each OPV. FMR will be determined following POC actions and Scope Reduction negotiations. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	OPVs delivered in accordance with Functional Performance Specification and Operating and Support Intent. The final OPV delivered and OT&E completed. All facilities accepted. All support organisations functioning. FOC will be dependent on FMR discussions. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that the OPV Support System will be delivered later than currently forecast by Luerssen Australia Pty Ltd caused by the need for additional rework to meet the contracted Navy requirements resulting in delays to Acceptance of the Support System and OPV 1 Contract Acceptance.	Collaborative efforts between the Commonwealth of Australia and Luerssen Australia Pty Ltd have enabled continued progress against the overall Support System deliverable. Notably, delivery of the Support System is no longer on the critical path to Ship Acceptance due to progress made on support system milestones such as the Required Parts List, sparing procurement, logistics information system environment and Physical Configuration Audit review. The risk is anticipated to materially decrease only after improved alignment of the logistics support products and configuration baseline is achieved.
2	There is a risk that the OPV Safety Case is not accepted by Navy at Initial Operational Release (IOR); leading to an impact on capability and schedule.	Risk reduced to Medium. Risk has reduced as confidence that Navy will accept the OPV Safety Case at IOR has improved due to progressive Hazard Log (a key element of the OPV Safety Case) development by Luerssen Australia Pty Ltd, endorsement of the hazard log by Offshore Patrol Vessel Safety Board and Navy acceptance of the Test Set Seaboat Safety Case developed by the Project.
3	There is a risk that OPV seaworthiness outcomes are not met due to Structural Fire Protection and Design Safety issues detailed by the OPV Rapid Review Team.	Risk reduced to Medium. Risk has reduced as Structural Fire Protection engineering changes on OPV 1 are complete and corresponding CCP's supporting equivalent engineering changes on subsequent OPVs are in progress.
4	There is a risk that inadequate access to ship building facilities in Henderson, Western Australia inhibits OPV 3 to OPV 6 production progress.	The Henderson Implementation Plan is outlining options for Luerssen Australia Pty Ltd to access additional shipbuilding facilities within the Henderson Maritime Precinct.
5	There is a risk that the OPV IMR will be delayed due to a lack of approved Test Plans, Test Procedures and completed Test Reports leading to an impact on the schedule.	Risk was reduced to low and retired as all Acceptance Test Procedures for the OPVs have been delivered to the Commonwealth and progressive completion of corresponding Test Reports by Luerssen Australia Pty Ltd have improved confidence that Luerssen Australia Pty Ltd will deliver remaining Test Reports ahead of Ship Acceptance.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	There is a risk that current delivery schedule and project budget may be affected by prolonged: <ul style="list-style-type: none"> Resolution of POC activities. Commercial and contractual issues. Reduction in project scope from 12 to six OPVs. 	Defence and Luerssen Australia Pty Ltd, where possible, will resource these activities as separate lines of effort to the OPV delivery project to minimise diversion of OPV delivery resources.

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2	There is a risk that Contract Acceptance for OPVs 1 and 2 will be further delayed beyond the current Luerssen Australia Pty Ltd forecast caused by ongoing issues in production and acceptance testing activities resulting in delayed delivery of the capability to Navy.	Defence and Luerssen Australia Pty Ltd to focus on maintaining production quality and improving schedules and scheduling. Luerssen Australia Pty Ltd working with partners.
3	There is a risk that Contract Acceptance for OPVs 3 to 6 will be further delayed beyond the current NCB forecast (in the absence of schedules provided by Luerssen Australia Pty Ltd) caused by ongoing issues in production and acceptance testing activities resulting in delayed delivery of the capability to Navy.	Defence and Luerssen Australia Pty Ltd to focus on maintaining production quality and improving schedules and scheduling. Luerssen Australia Pty Ltd working with partners.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	There is an issue that Contract Acceptance of OPVs 1 and 2 being built in Osborne have been significantly delayed due to issues in production and acceptance testing activities, resulting in late delivery of capability to Navy.	Implementation of the Osborne POC Implementation Plan and pro-active management of the OPV 1 and 2 activities by the Commonwealth Stakeholder Waterfront Acceptance Team on site. This risk has been realised from the prior year published Project Data Summary Sheet risks 1 and 5 and is now presented in Section 5.3.
2	There is an issue that Contract Acceptance of OPV 3, OPV 4, OPV 5 and OPV 6 being built in Henderson have been significantly delayed due to issues in ship production resulting in late delivery of the capability to Navy.	The Henderson Implementation Plan is outlining options for Luerssen Australia Pty Ltd to access additional shipbuilding facilities within the Henderson Maritime Precinct.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the Project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The Project has captured eight lessons. The eight lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. The shortcomings in management of Common Systems / Government Furnished Material (GFM) Sub-System Item Owner Schedules directly affected Project engagement and support during acquisition. This issue has been provided as feedback to the Head of Governance within the GFM Sub-Systems area.	Program, Project & Product Management
DLR Lesson Type – Observation. There are several different risk management systems used to capture risks, issues and opportunities related to the Project. The Project is assessing different ways of displaying risks to engage with senior executives and improving communication on risk between project and stakeholders.	Program, Project & Product Management
DLR Lesson Type – Observation. While certain sub-systems can only be provided as GFM (e.g. radar, weapons, crypto); many systems can and should be sourced commercially by the prime contractor.	Commercial Management
DLR Lesson Type – Lesson Identified. Inadequate timeframe to conduct procurement can diminish the opportunity for due diligence during tender evaluations. Providing sufficient time for due diligence is crucial to ensure the integrity and effectiveness of the procurement process.	Commercial Management
DLR Lesson Type – Lesson Identified. The use of reference ship designs from other navies provided reassurance in the procurement process but it remains crucial to thoroughly understand the intended capabilities and requirements, and ensure alignment with project objectives.	Engineering & Technical
DLR Lesson Type – Lesson Identified. Payment milestones should be robustly designed to accommodate potential delays and fluctuations in cash flow, ensuring financial stability throughout the project. Undertake sensitivity analysis prior to agreeing payment milestones, particularly for fixed price contracts.	Commercial Management
DLR Lesson Type – Lesson Identified. Clear communication and thorough contract review both prior to contract execution and throughout the contract term are essential to align project expectations with contractor responsibilities, avoiding misunderstandings and potential disputes. If procurement time constraints prevent detailed contract discussions, ensure key responsibilities are clearly outlined and	Program, Project & Product Management

understood by all parties involved to prevent future misunderstandings.	
DLR Lesson Type – Lesson Identified. Stakeholders' requirement for clear, concise communication. Stakeholders not being regularly informed about, and being a part of, project developments and decisions.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Patrol Boats and Specialist Ships
Branch	Offshore Patrol Vessels Branch

Project Data Summary Sheet¹

Project Number	SEA1439 Phase 5B2
Project Name	COLLINS CLASS COMMUNICATIONS AND ELECTRONIC WARFARE IMPROVEMENT PROGRAM
First Year Reported in the MPR	2018-19
Capability Type	Upgrade
Capability Manager	Chief of Navy
Government 1st Pass Approval	Oct 06
Government 2nd Pass Approval	Stage 1 – Jun 15
Budget at 2nd Pass Approval	\$599.2m
Total Approved Budget (Current)	\$616.1m
2023–24 Budget	\$15.7m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

SEA1439 Phase 5B2 is a multiple Second Pass project that is delivering a Modernised Submarine Communications System (MSMCS) and upgraded Electronic Support measures on the Collins Class Submarines (CCSM). These enhancements will be broadly delivered in two stages:

- MSMCS Stage 1 replaces obsolete communications equipment on-board six CCSM. MSMCS Stage 1 upgrade is providing the submarines with improved performance, reliability and interoperability with other components of the Australian Defence Force and allied nations.
- MSMCS Stage 2 is delivering urgent communications systems upgrades including satellite communications that will deliver a submarine internet protocol capability with supporting applications that will significantly reduce operator workloads and improve system management.

Funded under Stage 1, but as a standalone capability, Microwave Electronic Support (MWES) system will maximise commonality between the CCSM and the wider Royal Australian Navy fleet. This is being installed independently and in parallel with Stage 1 and Stage 2.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$15.1m against the FY 2023-24 budget of \$15.7m. Budget variance due to:

- Delays to overall progress of docking maintenance periods and consequential impact to completion of project milestones that are dependent on availability of a range of other platform system services.
- Delay in Submarine Communications equipment upgrade works due to redirection of Commonwealth and Contractor resources to support Stage 2 platform testing.

Project Financial Assurance Statement

As at 30 June 2024, SEA1439 Phase 5B2 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 has not applied contingency in the FY 2023-24.

Schedule Performance

SEA1439 Phase 5B2 Stage 1 achieved Initial Materiel Release (IMR) on one platform on 26 November 2019.

SEA1439 Phase 5B2 MWES system experienced significant schedule delays from Government Second Pass Approval due to difficulties engaging with subcontractors in the early phases of the project. Contractors have now been engaged and progressing to project implementation on platforms in accordance with the schedule re-baselined at Government Second Pass Approval for MSMCS Stage 2.

Restricted movements of contractor staff across state borders due to COVID-19 delayed IMR of MSMCS Stage 2 and MWES. MSMCS Stage 2 IMR was achieved on 20 October 2021. MWES IMR was further delayed as a result of COVID-19 travel restrictions affecting staff contractor movements and the completion of installation and set-to-work. Other areas of priority work conducted on the platform

Notice to reader

¹ Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

impacted by delays; completing equipment installation for the support facility in the Submarine Training and Systems Centre (STSC) and follow on delays in obtaining objective quality evidence. MWES IMR was achieved on 2 November 2022. Initial Operational Capability (IOC) for MSMCS Stage 1 & Stage 2 and MWES was further impacted by delays associated with end-to-end sustainment requirements. Final Materiel Release (FMR) Stage 1 achieved on 1 August 2023. IOC for MSMCS Stage 1 & Stage 2 and MWES was awarded on 3 March 2024.

Material Capability/Scope Delivery Performance

The project has completed implementation of:

- MSMCS Stage 1 on six platforms which are now in service.
- MSMCS Stage 1 and 2 training system at the Integrated Test and Training Site (ITTS) and are in use for training.
- MSMCS Stage 2 on three platforms, which are now in service.
- MWES on five platforms which are now in service.
- MWES training system at the STSC.
- MSMCS Stage 2 on one platform under acceptance test and is due for completion in July 2024.
- MSMCS Stage 2 and MWES are currently being installed on one platform.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background

In December 2004, Defence initiated investigations into CCSM potential capability enhancements and obsolescence issues regarding equipment.

Government in November 2013 agreed to the SEA1439 Phase 5B2 scope that would address the identified enhancement and obsolescence issues under two stages.

Stage 1 relates to the MSMCS that updated the obsolete equipment on-board the Collins Class with a military off-the-shelf solution. Stage 1 received Second Pass Approval in June 2015 and is being implemented across all six platforms and at the ITTS.

Stage 2 relates to the delivery of MSMCS capability enhancements including the introduction of satellite communications that provides improved data transmission/receive rates in a tactical environment and enhances networks and associated Information and Communication Technologies infrastructure. Stage 2 received Government Gate Two Approval (previously 'Second Pass') in March 2017. Stage 2 includes the following capability enhancements across all six platforms and at the ITTS:

- Wideband Satellite Communications (WBS) System.
- Classified Local Area Networks (LAN) to distribute information.
- Network infrastructure to allow multiple classified LANs to access the same internet protocol-enabled radio frequency bearer system.
- Tools and applications that effectively and efficiently manage the information flows between the shore communication centres and the submarines, referred to as Submarine Communication Information Exchange Management.

The MWES capability enhancement will maximise commonality between the CCSM and the wider Royal Australian Navy fleet. Funded under Stage 1, but as a standalone capability, MWES is being installed independently, in parallel with Stage 1 and 2, in a flexible manner, achieving installation on the best-suited boat at the time of materiel availability.

Uniqueness

SEA1439 Phase 5B2 Stage 1 addresses the obsolescence issues of the legacy maritime communications capability of the CCSM, and enhances the electronic support based on modernised architectures and standardised systems. The new and upgraded capability will enable new levels of operability and interoperability never before seen on CCSM.

For implementation of Stage 2, the majority of supplies being Government Furnished Material (GFM). The project has engaged Raytheon Australia Pty Ltd as Prime System Integrator (PSI) to implement MSMCS Stage 2. The Submarine LAN and the Submarine Communication Information Exchange Management elements of Stage 2 are being supplied by the Defence Chief Information Officer Group with the funding for the development and delivery of these systems handed directly to Defence upon Government Second Pass Approval for Stage 2.

The other major component of Stage 2 is the WBS component which is supplied under a United States (US) Government Foreign Military Sales (FMS) case.

Major Risks and Issues

The project is currently managing an emergent risk:

- Stakeholder may not be able to complete design to modernise submarine LAN environment.

The project is currently managing a number of issues including:

- Delivery of Information Screening and Delivery System (ISDS) is delayed.
- Operators experiencing issues with WBS system. This issue has been retired and will be removed in the subsequent Major Projects Report (MPR).
- High staff vacancy rate.
- Establishing long-term sustainment contract for ISDS will take longer than anticipated.
- FMR Stage 1.
- IOC caveats to address accreditation requirements.
- Finalising ISDS related actions in Project's Plan of Action and Milestones.

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Other Current Related Projects/Phases

Navy Minor Project (NMP) 1941. NMP 1941 was initiated to deliver an ISDS and a military message system across a number of CCSM. The ISDS has now been integrated into the SEA1439 Phase 5B2 project and has been implemented on two platforms and a shore system. NMP 1941 has reached Final Operational Capability (FOC) and is now closed.

SEA1442 Phase 6 – Protected Satellite Communications. SEA1442 Phase 6 provides WBS Ground and Space segment, as well as planning and land based infrastructure required to operate the system. The submarine fitted segment of this capability is provided by SEA1439 Phase 5B2 Stage 2.

SEA2273 – Fleet Information Environment Modernisation. Is responsible to modernise the extant fleet information environment.

SEA1439 Program. SEA1439 Phase 5B2 is related but not dependent on other projects within the SEA1439 program.

Note

Major risks and issues are excluded from the scope of the Auditor-General’s Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Oct 06	Original Approved (Government First Approval)	4.1	1
Apr 10	Real Variation – Scope	1.4	1
Sep 12	Real Variation – Scope	1.6	1
Feb 15	Government First Pass Approval – Stage 1	36.7	2
Jun 15	Government Second Pass Approval – Stage 1	203.9	3
Mar 17	Government Second Pass Approval – Stage 2	351.4	4
	Total at Second Pass Approval	599.2	
Jan 20	Real Variation – Budgetary Adjustment	2.5	5
Jul 10	Price Indexation	0.4	6
Jun 24	Exchange Variation	14.1	
	Total Budget	616.1	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Raytheon Australia Pty Ltd	(181.8)	7
	Contract Expenditure – FMS Case (AT-P-LFQ)	(81.8)	
	Contract Expenditure – ASC Pty Ltd	(69.2)	
	Contract Expenditure – Jenkins Engineering Defence Systems Pty Ltd	(48.7)	
	Other Contract Payments / Internal Expenses	(22.8)	8
		(404.3)	
FY to Jun 24	Contract Expenditure – ASC Pty Ltd	(8.7)	
	Contract Expenditure – Raytheon Australia Pty Ltd	(4.0)	
	Contract Expenditure – FMS Case (AT-P-LFQ)	(1.7)	9
	Contract Expenditure – Jenkins Engineering Defence Systems Pty Ltd	(0.4)	
	Other Contract Payments / Internal Expenses	(0.4)	8
		(15.1)	
Jun 24	Total Expenditure	(419.3)	
Jun 24	Remaining Budget	196.9	
Notes			
1	Original approved funding was for development of the Function and Performance Specifications (FPS) for the future implementation of SEA1439 Phase 5B2 to provide high data rate communications fit for CCSM.		
2	Government approved SEA1439 Phase 5B2 Stage 1 funding for risk reduction funding for the development of the design of 5B2.		
3	Government approved SEA1439 Phase 5B2 MSMCS Stage 1 to provide a solution to address obsolescence issues.		
4	Government approved SEA1439 Phase 5B2-A MSMCS Stage 2 for WBS and LANs implementation. There was no Government First Pass Approval for Stage 2 as this is a capability enhancement of Stage 1.		

Notice to reader

² As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

5	In January 2020, a budget adjustment was applied (\$2.5m) as a correction to project financial reporting. The project's total approved budget has remained the same as approved by Government.
6	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$0.4m.
7	The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.
8	Other Contract Payments/Internal Expenses: Operating expenditure, minor contract expenditure and other capital expenditure not attributable to the listed contracts.
9	US Government supply (FMS Case) for WBS.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
29.5	29.6	15.7	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statements (PAES)</u> : Variance is due to increases in project management, platform integration Stage 1 and 2 on three platforms, and capability assurance. <u>PAES to Final Plan</u> : Variance is predominantly due to the reprogramming of long lead items for two platforms.
Variance \$m	0.1	(13.9)	Total Variance (\$m): (13.8)
Variance %	0.3	(47.1)	Total Variance (%): (46.9)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(0.5)	Australian Industry	Budget variance due to: Delays to overall progress of docking maintenance periods and consequential impact to completion of project milestones that are dependent on availability of a range of other platform system services; and Delay in Submarine Communications equipment upgrade works due to redirection of Commonwealth and Contractor resources to support Stage 2 platform testing.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		(0.1)	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
15.7	15.1	(0.5)	Total Variance	
		(3.3)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
ASC Pty Ltd	July 12	N/A	90.9	Variable	Standard Defence Contract	1, 6
Raytheon Australia Pty Ltd	Feb 15	32.9	191.8	Firm or Fixed	Standard Defence Contract	2, 3, 6
Jenkin Engineering Defence Systems Pty Ltd	Jul 16	10.4	50.4	Firm or Fixed	Standard Defence Contract	4, 5, 6, 7
US Government – FMS Case (AT-P-LFQ)	Jun 17	98.0	113.5	Reimbursement (for FMS)	FMS	6
Notes						
1	ASC Pty Ltd engagement related to SEA1439 Phase 5B2 is not a single contract. ASC Pty Ltd is engaged under a number of separate Survey and Quote (S&Q) tasks under the provisions of the In-Service Support Contract (ISSC) CSP/2012/1. At contract signature, no S&Q tasks had been raised for SEA1439 Phase 5B2.					
2	Raytheon Australia Pty Ltd received \$32.9m in interim funding by the Commonwealth of Australia (CoA) to achieve Detail Design Review (DDR) prior to full contract award in March 2016 when the CoA issued a Notice to Proceed post Government Second Pass Approval for Stage 1.					
3	The Raytheon Australia Pty Ltd PSI contract has been amended on multiple occasions. The major contract changes are Contract Change Proposal (CCP) 006 for early implementation of Stage 1 on one platform, and CCP008 for the introduction of Stage 2 work scope.					
4	CCP001 was negotiated with a revised scope for the MWES element of the project.					
5	CCP002 was approved for remediation works at the ITTS and option to procure two additional systems.					
6	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates.					
7	CCP003 was approved to re-baseline milestones affected because of COVID-19 consequences. There is no change to the contract price.					

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2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Raytheon Australia Pty Ltd	7	7	Deliveries consist of six Stage 1 & 2 platform fits, and one Stage 1 & 2 Training System fitted at the ITTS.	-
ASC Pty Ltd	6	6	Deliveries consist of platform integration on six CCSM of Stage 1 & 2 and MWES.	-
Jenkins Engineering Defence Systems Pty Ltd	5	7	Deliveries consist of six MWES platform fits, and one MWES fitted at the ITTS.	-
US Government – FMS(AT-P-LFQ)	7	7	Deliveries consist of six WBS platform fits, and one WBS training system fitted at the ITTS.	-
Major equipment accepted and quantities to 30 Jun 24				
Stage 1 systems have been implemented on six platforms which are now in operational service. Stage 1 & 2 training system have been implemented at the ITTS and are in use for training. Stage 2 has been implemented on three platforms that are now in service. MWES has been implemented on five platforms and are now in service. MWES training system has been implemented at the STSC.				
Notes				
N/A				

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based opportunities where appropriate, to identify Local Industry Capability which is captured in Raytheon Australia Pty Ltd and Jenkins Engineering Defence Systems Pty Ltd's AIC Plans in support of their design, manufacturing, delivery and installation activities for various systems on six CCSM.
The project has no contracted AIC targets for ASC Pty Ltd. The project's contract with ASC Pty Ltd is under a number of separate S&Q tasks under the provisions of an ISSC. AIC targets are not applicable to the project's S&Q tasks.
The project has no contracted AIC targets for US Government, because the FMS is a government-to-government agreement and therefore contains different obligations on partner nations in terms of developing industry capability and compliance with domestic policy. As such compliance with the domestic Industry Policy and the AIC Program is not mandated.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	Stage 1	Jul 15	N/A	Jul 15	0	-
	MWES	Nov 16	Sep 18	Oct 18	23	1
	Stage 2	Sep 17	Oct 17	Oct 17	1	2
Preliminary Design	Stage 1	Nov 15	N/A	Nov 15	0	-
	MWES	Jan 17	Jan 19	Feb 19	25	1
	Stage 2	Jan 18	Feb 18	Jul 18	6	2
Critical Design	Stage 1	Mar 16	Apr 16	Apr 16	1	2
	MWES	Apr 17	Mar 19	Sep 19	29	1
	Stage 2	May 18	Jun 18	May 18	0	-
Notes						
1	MWES FPS had taken longer than expected to finalise. DDR completed on 8 May 2019. DDR acceptance signed on 19 September 2019.					
2	Variance is due to delays in processing and acceptance of documentation delivered by the contractor.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	MSMCS Stage 1	May 17	Jun 17	Jul 17	2	1, 4
	MWES	May 18	Nov 19	Mar 20	22	2
	MSMCS Stage 2	Jun 19	Jul 19	Jul 19	1	1, 6, 8
Acceptance	MSMCS Stage 1	Jun 24	Apr 18	Jan 18	(77)	7
	MWES	Jul 19	N/A	Aug 21	25	2, 5
	MSMCS Stage 2	Jun 20	N/A	Jun 20	0	3, 6, 8
Notes						
1	MSMCS Stage 1 & Stage 2 System Integration is based on completion of Critical Acceptance Test (CAT) 3 Testing by the PSI in accordance with completion milestones within the PSI contract and the Test and Evaluation Master Plan (TEMP).					

2	MWES System Integration is based on First-of-Type (FOT) Set-to-Work. System acceptance is based on completion of successful FOT Harbour Acceptance Trial completion. Original system integration date based on planned FOT installation that was subsequently transferred to a different platform in a later maintenance period.
3	MSMCS Stage 1 & Stage 2 acceptance is based on the Commonwealth's acceptance of the completion of CAT 4 testing in accordance with completion milestones within the PSI contract and the TEMP.
4	Variance is due to extended duration for processing and acceptance of documentation delivered by the contractor.
5	MWES implementation delayed due to immature procurement strategy and FPS. This has now been resolved with implementation completed in FOT platform. Commonwealth's acceptance is at completion of CAT 4 testing. Completion of CAT4 testing and Harbour Acceptance Trial on FOT platform delayed due to COVID-19 related travel and working condition restrictions. Additional delay to CAT 4 testing due to COVID-19 travel restrictions between states and unavailability of platform resulting in deferral of CAT 4 testing.
6	Implementation schedule understanding has matured since the Materiel Acquisition Agreement (MAA) was originally developed.
7	System acceptance achieved six months early due to the acceleration of the MSMCS Stage 1 installation with platform 2 installation brought forward 77 months from a Full Cycle Docking to an earlier Mid Cycle Docking.
8	Systems Operation and Verification Testing (SOVT) of WBS system under Stage 2 completion is acceptance of supplies from the US Government under the FMS case. SOVT transitions supplies from US Government to the Capability Acquisition and Sustainment Group (CASG). CASG transition the WBS to the submarine sustainment organisation. SOVT of WBS system is not a precondition to Stage 2 acceptance.

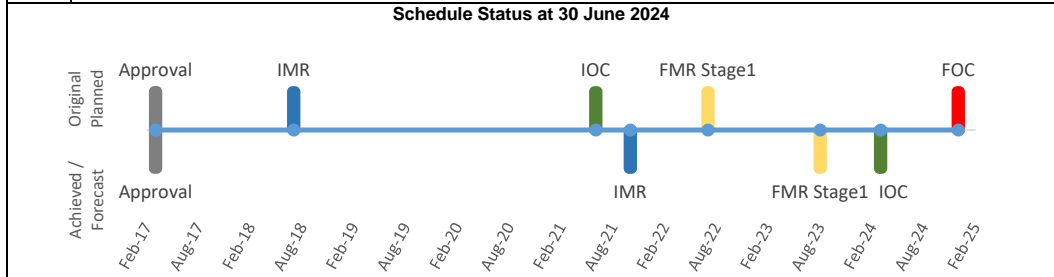
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR) Stage 1	Jul 18	Nov 19	16	1, 2
IMR MWES	Feb 18	Nov 22	57	1, 3, 6, 8
IMR Stage 2	Dec 20	Oct 21	10	1, 4, 5, 8
Initial Operational Capability (IOC) Stage 1, 2 & MWES	Jun 21	Mar 24	33	1, 4, 7, 10
Final Materiel Release (FMR) Stage 1	Jul 22	Aug 23	13	1, 4, 8, 11
FMR MWES	Jun 19	NFP	NFP	1, 3, 8, 9
FMR Stage 2	Jul 22	NFP	NFP	1, 4, 8
Final Operational Capability (FOC) Stage 1, 2 & MWES	Dec 24	NFP	NFP	1, 4


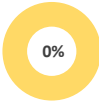

Notes	
1	Original Planned dates for Stage 1 and MWES are in accordance with revision 2 of the MAA. Original planned dates for Stage 2 are in accordance with revision 4 of the MAA.
2	Stage 1 IMR claim agreed 26 November 2019. Variance due to delay in obtaining all objective quality evidence to support IMR claim.
3	MSMCS MWES implementation delayed due to immature procurement strategy and FPS. This has now been resolved with implementation completed in FOT platform, but has had consequential impact to the MWES implementation plan, IMR and FMR.
4	Original IOC, FMR and FOC was for MSMCS Stage 1 and MWES. MAA Version 4.0 updated IOC to also include MSMCS Stage 2.
5	IMR Stage 2 variance is due to delay of sea acceptance trial schedule as a result of COVID-19 related travel restrictions and delay in obtaining objective quality evidence to support trials assessment.
6	IMR MWES variance due to installation and set-to-work delay resulting from COVID-19 travel restrictions, installation schedule conflict resulting in contractor resources being allocated to one platform and delay in completing of Support System equipment in the STSC.
7	IOC date amended to reflect delay in achieving MSMCS Stage 2 (see Note 5) and MWES IMR (see Note 6).
8	MAA Version 5.0 updated IMR MWES and IMR Stage 1 and 2.
9	FMR MWES is now aligned with FMR Stage 2.
10	Project has achieved all necessary prerequisites identified in MAA Version 5.0 milestone completion measures of effectiveness criteria. IOC date was revised from December 2022 to December 2023 to address end-to-end sustainment requirements.
11	FMR Stage 1 variance due to delay in maintenance period.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project is currently achieving the Materiel Capability Requirements as expressed in the MAA.
	Amber: N/A
	Red: N/A
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Modification of one platform and the ITTS with Stage 1 including: <ul style="list-style-type: none"> Verification & validation and certification completed in accordance with approved plans. Training system delivered along with initial crew and trainer training. Spares and support arrangements in place. IMR report endorsed and released for approval by the regulatory authority.	Achieved
Initial Operational Capability (IOC)	Operationally employ MSMCS Stage 1 and Stage 2 and MWES on one platform and associated Fundamental Inputs to Capability such as crew training and Integrated Logistics Support. IOC for MSMCS Stage 1 & Stage 2 and MWES was awarded 3 March 2024 with caveats to address accreditation requirements.	Achieved with Caveats
Final Materiel Release (FMR)	MSMCS Stage 1, 2 and the MWES elements installed on six platforms and one ITTS. Support arrangements including Materiel Transition Plans, spares, training and other Integrated Logistics Support requirements required to transition the materiel system into operational services and sustainment. FMR Stage 1 was achieved in August 2023. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	Operationally employ MSMCS Stage 1, 2 and MWES in six platforms, the ITTS and associated Fundamental Inputs to Capability such as crew training & Integrated Logistics Support. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	There is a risk that stakeholder may not be able to complete design to modernise submarine local area network environment. This may impact the project's ability to implement extant design on time on one platform if the modernisation design is not completed.	Regular engagement with stakeholder allows Project to be aware of stakeholder's design progress.

Project Data Summary Sheets

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5.3 Major Project Issues

Ref#	Description	Remedial Action
1	ISDS is delayed because of stakeholder's decision to build a new system associated with ISDS rather than using existing version.	Project stakeholders conducted workshop to revise and agree with schedule and scope to consider new build.
2	Operators experiencing issues with WBS system.	Project and sustainment organisation have engaged Subject Matter Experts (SME) to identify root cause of defect and remediate as required. This issue has been retired and will be removed in the subsequent MPR.
3	There is a chance the project team will not be able to complete and deliver essential project tasks on time because of high staff vacancy rate and recruitment timeline is impacting engaging suitably of qualified persons.	Supplement skill shortfalls by employing specialist external service providers and prioritise and complete essential tasks first.
4	Considering establishing long-term sustainment contract will take longer than anticipated, this may impact system accreditation of ISDS. Delayed security accreditation may also impact IOC award.	Sustainment business unit is implementing an interim sustainment contract while progressing work to establish long-term sustainment contract.
5	IOC award with caveats.	Address accreditation requirements.
6	FMR Stage 1.	Complete testing that were unable to be undertaken during testing phase.
7	There is a chance that ISDS related actions in Project's Plan of Action and Milestones may not be finalised due to delay in advice from SME stakeholder.	Regular engagement with SME and highlight criticality of obtaining advice.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 21 lessons. The four lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Regular detailed and customised reporting addressed directly to stakeholders ensures that information is received in high visibility projects or fast tracked schedules where there is no float. Stakeholder engagement through regular detailed and customised reporting will ensure stakeholders are engaged supportive and operating in a coordinated manner.	Program, Project & Product Management
DLR Lesson Type – Observation. SEA1439 Phase 5B2 Engineering staff have gained considerable knowledge of communication systems on CCSM and believe this is opportune time to share this knowledge with Future Submarine Program. SEA1439 Phase 5B2 has recently shared design/installation knowledge and FMS knowledge with Future Submarine Program.	Engineering & Technical
DLR Lesson Type – Observation. Regular and close stakeholder engagement is essential where SEA1439 Phase 5B2 manages budget and reporting requirement to reduce risks of delivering scope under the MAA, but is not the Commonwealth representative of a contract.	Program, Project & Product Management
DLR Lesson Type – Observation. Project having compressed schedule to achieve implementation on a platform during docking period meant that level of detail of engineering artefacts were seen as a risk by stakeholders.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Submarines
Branch	Collins Submarine Program

Project Data Summary Sheet¹

Project Number	SEA1442 Phase 4
Project Name	MARITIME COMMUNICATIONS MODERNISATION
First Year Reported in the MPR	2014-15
Capability Type	Upgrade
Capability Manager	Chief of Navy
Government 1st Pass Approval	Dec 10
Government 2nd Pass Approval	Jul 13
Budget at 2nd Pass Approval	\$385.6m
Total Approved Budget (Current)	\$441.8m
2023–24 Budget	\$25.4m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

SEA1442 Phase 4 will upgrade the communications capability in the eight Anzac Class Frigates and address communications system obsolescence in the class, by modernising it with improved communications management, secure voice and tactical intercom, red/black switching, tactical radios and a High Data Rate line-of-sight capability. The project will also deliver support systems, a secondary Maritime Tactical Wide Area Network (MTWAN) Shore Gateway and upgrade the Anzac Combat System Trainer Communications Terminals.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$20.3m against the FY 2023-24 budget of \$25.4m. The budget variance of \$5.0m underspend is due to Leonardo UK Ltd (Prime Contractor) contractual payments slipping to next FY, including milestone payments, a lower than anticipated spend for spares and FOREX adjustments.

Project Financial Assurance Statement

As at 30 June 2024, project SEA1442 Phase 4 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 has not applied contingency in the FY.

Schedule Performance

Detailed Design Review (DDR) was delayed by four months due to delay in completion of design activities by the contractor which resulted in liquidated damages being invoked during the FY 2016-17 and accepted by the Commonwealth in the form of additional goods and services provided by the contractor.

Training System (TS) and Shore Integration Test Facility (SITF) acceptance occurred in November 2019, with six ship mission systems accepted to date; in April, July and September 2021; July 2022 and March and November 2023.

The SEA1442 Phase 4 delivery and installation schedule has been aligned to the Anzac Midlife Capability Assurance Program (AMCAP) scheduling and the availability dates for the remaining ships are subject to change. This alignment of programs has resulted in SEA1442 Phase 4 Initial Materiel Release (IMR) moving from June 2018 to being declared in September 2021. IMR was achieved with exceptions. Initial Operational Capability (IOC) was similarly delayed from December 2018 and declared in November 2023. Final Operational Capability (FOC) is delayed following the most recent change to the AMCAP schedule.

Materiel Capability/Scope Delivery Performance

The MTWAN Secondary Shore Gateway has been delivered and is operational, including the TS and the SITF which were both accepted in November 2019. The first three Anzac ship systems (His Majesty's Australian Ship (HMAS) *Anzac*, HMAS *Arunta* & HMAS *Warramunga*) with associated support systems were delivered by the contractor to Capability Acquisition and Sustainment Group (CASG) in 2021. Three more communication systems for ships were delivered in July 2022 and March and November 2023 respectively. IMR was declared in September 2021 and Initial Operational Capability (IOC) was declared in November 2023.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

1.3 Project Context

Background

SEA1442 Phase 4 is a multi-phased program that will modernise the Royal Australian Navy's (RAN) communications infrastructure. The New Generation Maritime Communications System (NewGen MCS) will deliver an integrated and automated system that provides a more agile and faster communication solution requiring reduced operator intervention.

The majority of equipment and sub-systems are either existing Military or Commercial grade items that require some functionality enhancements and Australianisation. The main systems challenge is bringing the sub-systems together as part of a highly integrated and automated system into the ship platform, cognisant of existing weapons, sensors, emitters, and specific platform requirements.

Government Second Pass approval occurred in July 2013 with the acquisition and five year support services contracts awarded to Selex ES Ltd in November 2013. Selex ES Ltd changed its name to Leonardo MW Ltd in September 2016 and to Leonardo UK Ltd in March 2021.

The project is also managing the acquisition of ARC-210 Gen 5 Very/Ultra-High-Frequency (V/UHF) multi-band, multi-mode software defined radios through Foreign Military Sales (FMS) with the United States (US) Government. The radios form part of the NewGen MCS.

Uniqueness

An advanced feature of the NewGen MCS includes a unique radio frequency distribution system that will allow automated and efficient switching of the multitude of radios and antennae on each ship in order to establish the most effective communications path.

The High Data Rate line-of-sight system is a new capability and will be a step towards enabling the RAN to operate in a satellite denied environment and enable more efficient ship-to-ship communication.

Major Risks and Issues

The project is not currently tracking any major risks or issues (rating high/very high). The remaining extant issue regarding AMCAP being delayed has since been downgraded to a low rating and will be removed in next year's Major Projects Review (MPR).

Other Current Related Projects/Phases

The deliverables provided by SEA1442 Phase 4 have been incorporated into the overall AMCAP schedule. The AMCAP involves a suite of upgrades to the Anzac platform being delivered by multiple projects, of which SEA1442 Phase 4 is one. Delays or issues with other AMCAP projects can delay the schedule of SEA1442 Phase 4.

The AMCAP projects consist of:

- **SEA1448 Phase 4B – Anzac Air Search Radar Replacement.** This project is providing an integrated and supportable modern Long Range Air Search Capability into the ANZAC Class Frigates.
- **Anzac Platform System Remediation (PSR) Program.** The PSR will see the upgrade of on-board systems that includes ventilation, the propulsion control system to improve power and efficiency, waste management and water production systems.

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 10	Original Approved (Government First Pass Approval)	11.4	
Jul 13	Government Second Pass Approval	374.3	
	Total at Second Pass Approval	385.6	
Jun 24	Exchange Variation	56.2	
Jun 24	Total Budget	441.8	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Leonardo UK Ltd	(247.7)	
	Contract Expenditure – US Government	(15.3)	
	Contract Expenditure – Warship Asset Management Agreement (WAMA)	(12.8)	1
	Contract Expenditure – Nova Systems Australia Pty Ltd	(11.8)	
	Other Contract Payments / Internal Expenses	(12.4)	2

Notice to reader

² As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

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FY to Jun 24	Contract Expenditure – Leonardo UK Ltd	(14.7)	(300.2)	
	Contract Expenditure – Nova Systems Australia Pty Ltd	(3.2)		
	Contract Expenditure – WAMA	(1.0)		
	Other Contract Payments / Internal Expenses	(1.4)		3
Jun 24	Total Expenditure		(320.5)	
Jun 24	Remaining Budget		121.3	
Notes				
1	The WAMA consists of Commonwealth of Australia (CoA), BAE Systems Maritime Australia Pty Ltd, Saab Australia Pty Ltd and Naval Ship Management Pty Ltd.			
2	Other Contracts Payments/Internal Expenses comprises: (\$3.1m) for travel and purchasing card payments, (\$3.1m) for Technical Services, (\$1.9m) for the purchase of Specialised Military Equipment, (\$1.2m) for System Engineering Services, (\$1.1m) for Scheduler Support, (\$1.0m) other extant expenditure, (\$0.7m) for the development of Capability Definition Documents and (\$0.3m) for Legal Services.			
3	Other Contracts Payments/Internal Expenses comprises: (\$1.1m) for other extant expenditure, (\$0.1m) for travel and purchasing card payments, (\$0.1m) for Technical Services and (\$0.1m) for Information and Communication Technology (ICT) Management and Advisory Services.			

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
31.8	29.2	25.4	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> Underspend is due to the slippage of the Anzac upgrade program's Schedule Maintenance Availability Master Plan (SMAMP) version 23 pushing prime contractor milestone payments into 2024-25. Spares expenditure is less than anticipated; assisted in part by the upcoming availability of spares from decommissioned HMAS Anzac. Expenditure on Survey & Quote work was less than anticipated. <u>PAES to Final Plan:</u> The underspend on Budget Estimates (BE) plan is largely due to a reduction in expenditure on Spares (\$2.6m). Milestone 'Ship 6 (FFH#6) Acceptance' FOREX Adjustments (\$0.4M), Survey and Quotes (\$1.0M) and miscellaneous of (\$2.2M).
Variance \$m	(2.6)	(3.8)	Total Variance (\$m): (6.5)
Variance %	(8.2)	(13.2)	Total Variance (%): (20.3)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(5.0)	Australian Industry	The underspend is largely due to a reduction in expenditure on Spares, Milestone 'Ship 6 (FFH#6) Acceptance' moving to the following financial year following a move in the SMAMP schedule, FOREX Adjustments and a lesser than anticipated spend on Survey and Quote procurements.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
25.4	20.3	(5.0)	Total Variance	
		(19.8)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Note
		Signature \$m	30 Jun 24 \$m			
Leonardo UK Ltd	Nov 13	187.7	303.9	Variable	Standard Defence Contract	1, 2
US Government (AT-P-BSH)	Dec 14	17.0	15.3	Firm or Fixed	FMS	3
WAMA	Dec 17	7.5	15.4	Variable with Pain/Gain Share	Alliance	4
Nova Systems Australia Pty Ltd	Mar 19	0.2	20.8	Variable	Integrated Work Package	5
Notes						
1	Contract value at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current budget exchange rates, and includes adjustments for indexation (where applicable).					
2	The contract price has increased to include the recommended spare parts list and to extend the contracted period in line with RAN's ship upgrade program.					
3	Change in FMS value is due to acceptance of Amendment Number 1 to FMS case AT-P-BSH. Decrease in FMS value is due to lower unit prices and associated costs for technical assistance and administration fees.					
4	WAMA consists of CoA, BAE Systems Maritime Australia Pty Ltd, Saab Australia Pty Ltd and Naval Ship Management Pty Ltd. The primary Industry Partner for SEA1442 Phase 4 tasking is BAE Systems Maritime Australia Pty Ltd.					
5	Provision of multi-discipline workforce to deliver the Joint Command, Control, Communications and Computer Systems (JC4S) Branch Integrated Work Package via the CASG Major Service Provider Arrangement. Operational changes have led to an increase in the contracted workforce.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Leonardo UK Ltd	See scope	See scope	<ul style="list-style-type: none"> Eight ship mission systems. One training system. One SITF. Three deployable High Data Rate line-of-sight systems. 	-
US Government (AT-P-BSH)	131	140	ARC-210 Gen 5 radios, technical data, and technical support.	1
WAMA	N/A	N/A	Provision of all site project management and support services for SEA1442 Phase 4 for the entirety of the AMCAP as well as other tasks to incorporate the NewGen MCS into the ANZAC environment.	-
Nova Systems Australia Pty Ltd	N/A	N/A	Provision of multi-discipline workforce to deliver the JC4S Branch Integrated Work Package.	-
Major equipment accepted and quantities to 30 Jun 24				
MTWAN Secondary Gateway, TS, SITF and six ship mission systems have been accepted.				
Notes				
1	Additional radios ordered as spare parts.			

2.4 Australian Industry Capability

Summary
<p>The project has contracted Australian Industry Capability (AIC) targets based, where appropriate, to identify Local Industry Capability which is captured in Leonardo UK Ltd. AIC Plan in the support of its project management, engineering, integrated logistic support and training activities.</p> <p>WAMA is an Alliance Contract between the CoA and Alliance Industry Participants BAE Systems Maritime Australia Pty Ltd, Naval Ship Management Pty Ltd and Saab Australia Pty Ltd which maintains an AIC Plan in its contract.</p> <p>There project has no contracted AIC target or AIC Plan for Nova Systems Australia Pty Ltd as they are one of several contractors under the CASG wide Major Service Provider contract that provides above the line work force to projects.</p> <p>The project has no contracted AIC targets or an AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.</p>
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

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Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	NewGen MCS and Support System	Sep 14	N/A	Dec 14	3	1
Preliminary Design	NewGen MCS and Support System	May 15	Sep 15	Sep 15	4	2
Detailed Design	MTWAN Secondary Gateway	Sep 14	N/A	Jan 15	4	3
	NewGen MCS	Oct 16	N/A	Feb 17	4	4
	Support System	Apr 17	Jun 17	Sep 17	5	5
	First of Class Integration Detailed Design Review (IDDR)	May 17	N/A	Oct 17	5	6
Notes						
1	Delayed from originally planned due to slow ramp up/contractor performance.					
2	Contract schedule re-baselined to reflect previous System Definition Review milestone slippage and contractor's improved understanding of the work.					
3	MTWAN System Requirements and Preliminary Design addressed prior to Government Second Pass Approval. In order to minimise risk to the operational network upon connection of the MTWAN Secondary Gateway, a demonstration of the design in the MTWAN SITF was requested prior to design acceptance. This required additional time to complete.					
4	The conduct of the DDR and its associated system demonstration occurred four months later than the contracted date which triggered liquidated damages.					
5	The contractor achieved the Support System DDR in September 2017 (five months later than the contract date due to delays resulting from the later than planned achievement of DDR).					
6	The contractor achieved the First of Class IDDR in October 2017 (five months later than the contract date due to delays resulting from the later than planned achievement of DDR).					

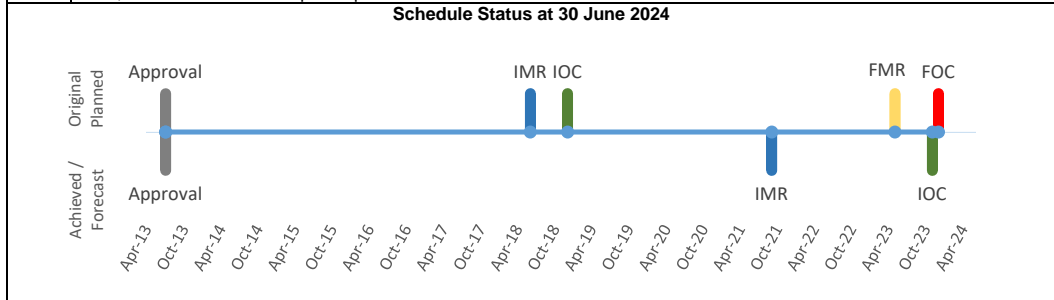
3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	NewGen MCS	Jun 18	Jul 20	Apr 21	34	1
Acceptance	MTWAN Secondary Gateway	Apr 15	N/A	Mar 15	(1)	-
	Training System	Jun 17	Nov 18	Nov 19	29	2
	SITF	Dec 16	Mar 19	Nov 19	35	3
	Ship #1	Jun 18	Jul 21	Jul 21	37	1, 4
	Ship #2	Apr 19	Apr 21	Apr 21	24	1, 4
	Ship #3	Nov 19	Sep 21	Sep 21	23	4
	Ship #4	Jun 20	Jul 22	Jul 22	25	4
	Ship #5	Feb 21	Mar 23	Mar 23	25	4
	Ship #6	Sep 21	Feb 24	Nov 23	26	4
Ship #7	Apr 24	NFP	NFP	NFP	4,5	
Ship #8	Sep 24	NFP	NFP	NFP	4,5	
Notes						
1	Delays attributed to alignment with planned ship availability per the AMCAP, and the effects of the COVID-19 pandemic, specifically travel restrictions which resulted in the contractor's United Kingdom based personnel being unable to travel to undertake set-to-work and acceptance testing in Western Australia (WA), and the project being unable to travel to carry out onsite test and trials activities with the contractor.					
2	Contract Change Proposal (CCP011) of 25 June 2018 included an adjustment of the schedule for this milestone. This milestone was achieved in November 2019, being 12 months later than the updated contract date.					
3	SITF acceptance date initially incorrectly positioned in the contract. The delay is due to the need to use the SITF during Ship #1 test and acceptance period which was extended when SEA1442 Phase 4 was aligned to AMCAP. This milestone was achieved in November 2019, being eight months later than the updated contract date.					
4	Ship availability and schedule is driven by AMCAP. Forecast and current contract dates have been aligned with the AMCAP dates updated in June 2023.					
5	Contract Change Proposal (CCP020 – Current Contract) of 22 February 2024 included an adjustment of the schedule for Ship Acceptance milestones for Ships #7 & #8.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Jun 18	Sep 21	39	1, 2, 3
Initial Operational Capability (IOC)	Dec 18	Nov 23	59	1, 2
Materiel Release 2 – Ship #2	Apr 19	Apr 21	24	1, 2
Materiel Release 3 – Ship #3	Dec 19	Sep 21	21	1, 2
Materiel Release 4 – Ship #4	Aug 20	Sep 22	25	1, 2
Materiel Release 5 – Ship #5	Apr 21	Mar 23	23	1, 2
Materiel Release 6 – Ship #6	Dec 21	Nov 23	23	1, 2
Materiel Release 7 – Ship #7	Aug 22	NFP	NFP	1, 2
Final Materiel Release (FMR)	May 23	NFP	NFP	1, 2
Final Operational Capability (FOC)	Dec 23	NFP	NFP	1, 2

Notes	
1	Ship availability and schedule is driven by AMCAP. The delays were mainly due to the AMCAP schedule which had a follow on effect on Materiel Release including IMR, IOC and FOC. The availability dates for the remaining ships are subject to change. Leonardo UK Ltd to be advised 90 days prior to commencement of each ship installation period.
2	See Section 4.2 of this Project Data Summary Sheets (PDSS) for a definition of these milestones.
3	The achievement of IOC incorporated completing the minor exceptions noted in last year’s report with the achievement of IMR, which were to be completed prior to IOC.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project expects to meet all of its capability materiel requirements by FOC as per the Joint Project Directive, Materiel Acquisition Agreement and relevant Technical Regulatory Authority.
	Amber: N/A
	Red: N/A

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

Project Data Summary Sheets

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4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Ship 1 acceptance, training system, SITF, Ship 1 crew training, and support arrangements in place.	Achieved in September 2021 with minor exceptions; which have since been addressed prior to the achievement of IOC.
Initial Operational Capability (IOC)	ANZAC Class ship fitted with the new equipment and proven through testing to communicate with other platforms using voice, High Frequency Internet Protocol and High Data Rate line-of-sight. IOC achieved November 2023.	Achieved
Final Materiel Release (FMR)	All eight ships accepted and all support arrangements in place. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	Operational Release and FMR have been met and endorsed by Chief of Navy. FOC will occur when all eight ships have been accepted and all crew training has been successfully completed, and the Support System elements are in place and running in accordance with respective contract requirements. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Ship installation in the AMCAP is delayed due to problems with concurrent work being carried out by other projects/maintenance activities such as unrelated but neighbouring installation activities.	The team's ability to mitigate this issue is limited as communications testing is one of the last activities of an AMCAP installation so it is always subject to delay caused by other activities running late. The project and contractor continue to actively participate directly in AMCAP scheduling activities to develop and maintain the Integrated Master Schedule and participate in regular production meetings. Due to the experience of the respective AMCAP stakeholders and continued improvements in communication and processes, this issue has been downgraded to low and will be removed in next year's MPR.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 14 lessons. The four lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Lessons Identified. Decision Support. Alignment of multiple schedules in a complex multi contractor environment, such as between SEA1442 Phase 4; its Prime Contractor and AMCAP, can be a source of additional and	Decision Support

unnecessary effort if not closely monitored and aligned.	
DLR Lesson Type – Lessons Identified. Program, Project & Product Management. Ship availability may be subject to change with minimal notice and may impact on the contractor's ability to deliver against key milestones. Ensuring effective communication between the project office, the Capability Manager and other relevant Defence stakeholders is essential. This will ensure all stakeholders are aware of what capability is being received if schedules change unexpectedly.	Program, Project & Product Management
DLR Lesson Type – Lessons Identified. Materiel Logistics. The effort involved in managing spare parts may be underestimated initially by a project. Whilst there is estimated spares usage data available for planning initial spares purchases; actual usage once the capability has been released must be closely monitored and reacted to promptly. Spares usage has varied significantly in some cases and some spare parts lead times are quite long.	Materiel Logistics
DLR Lesson Type – Lessons Identified. Program, Project & Product Management. Engage early to prepare for the Set to Work & Testing phase. SEA1442 PH4's work in being done in conjunction with the AMCAP at BAE Henderson WA. Following the on-shore installation phase, the ship is returned to the water and the new systems are set to work and tested. This is a very busy time on-board as each project is attempting to do set to work at the same time and the crew returns at this time, adding further activity. Following the recognition of this problem, the AMCAP Lead, BAE Systems created a new position; 'Test & Trials Manager' who is engaged nine months prior to the in-water phase for each ship and is responsible for planning for & managing the preparations for the phase. The change has made a positive difference to SEA1442 and other projects.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Joint Systems
Branch	Joint C4 Systems

Project Data Summary Sheet¹

Project Number	SEA1448 Phase 4B
Project Name	ANZAC AIR SEARCH RADAR REPLACEMENT
First Year Reported in the MPR	2018-19
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Mar 15
Government 2nd Pass Approval	Jun 17
Budget at 2nd Pass Approval	\$427.8m
Total Approved Budget (Current)	\$429.4m
2023–24 Budget	\$10.8m
Complexity	ACAT II ²



Section 1 – Project Summary

1.1 Project Description

SEA1448 Phase 4B is replacing the eight AN/SPS-49(V) Air Search Radar on the eight Anzac Class Frigates with a modern digital long range air search Radar. The project will also replace the existing Identification Friend or Foe (IFF) system with a new system. By replacing the existing air search radar and IFF system, the project will deliver an integrated and supportable modern Long Range Air Search Capability (LRASC) into the Anzac Class Frigates.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024, the project had underspent by \$0.1m mainly due to Foreign Military Sales (FMS) activities being lower than expected as they are nearing closure. There were also some minor cost savings in project management activities. These cost savings have been offset by increased Warship Asset Management Agreement (WAMA) spend and CEA Technologies Pty Ltd escalation costs. This increased spend is in relation to integration activities and WAMA true-up payment updates.

Project Financial Assurance Statement

As at 30 June 2024, SEA1448 Phase 4B has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this 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 has not applied contingency in the Financial Year (FY) 2023-24.

Schedule Performance

The project has progressed through the Design phases and is now within the Delivery phase. The first mast was installed on His Majesty's Australian Ship (HMAS) *Arunta* in December 2018 and Sea Acceptance Trials (SAT) were completed in February 2020, with all reports delivered in Quarter 2, 2020. In March 2020, Government was advised of a schedule review with industry that determined an additional 26 weeks was critical to the Anzac Mid-life Capability (AMCAP) upgrade realisation across the class. The schedule for ship availability to replace the Long Range Air Search Radar (LRASR) and integrated IFF system was amended as a consequence but did not affect the SEA1448 Phase 4B Final Operating Capability (FOC) date.

Initial Operating Capability (IOC) was delayed from the original planned date due to the complexities in achieving United States IFF certification requirements. Additionally, COVID-19 international travel restrictions prevented United States IFF certification authorities from participating in certification activities as originally planned. Rescheduled certification activities concluded in October 2020. Notification of IFF certification was achieved in April 2021. IOC was achieved in July 2021.

Materiel Release refers to individual ship installations, commencing with MR1 for second ship installation. Materiel Release refers to individual ship installations, commencing with MR1 for second ship installation. Materiel Release 2 (MR2) for the third ship installation in HMAS *Warramunga* was achieved in November 2021. Materiel Release 3 (MR3) for the fourth ship, HMAS *Perth*, commenced SAT in February 2022 and MR3 was achieved in November 2022. MR3 was accepted with three extant issues, one of which has been resolved and two are outstanding and remained outstanding with the achievement of Materiel Release 4 (MR4) for the fifth ship installation, HMAS *Toowoomba* in July 2023. These two issues being the Electromagnetic Interference / Electromagnetic Compatibility (EMI/EMC) report and infra-red signature report have subsequently been resolved and were resolved in HMAS *Stuart* which was accepted in June 2024 as reported in the Materiel Release 5 (MR5) Decision Brief.

MR5 for the sixth ship installation in HMAS *Stuart* and Materiel Release 6 (MR6) for the seventh ship installation in HMAS *Ballarat* and the eighth ship installation in HMAS *Parramatta* have been delayed owing delays in the AMCAP refit schedule. This delay has

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

2. Complexity Category has been corrected from previously published ACAT I in the 2022-23 MPR to ACAT II.

<p>been reflected in an update to the Materiel Acquisition Agreement (MAA) to version 6, signed in March 2024.</p> <p>Final Materiel Release (FMR) and Final Operating Capability (FOC) will be delayed owing to delays in the AMCAP refit schedule.</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>The project expects to deliver eight modern digital air search radars with integrated IFF system in the Anzac Class Frigates. The first mission system ship set capability with associated support systems was scheduled for acceptance in Quarter 1, 2021 dependent on IFF certification. Additionally, the project has delivered the CEA Technologies Pty Ltd Phased Array Radars (PAR) simulator for ship Onboard Training Systems and for the HMAS <i>Watson</i> training simulator.</p> <p>Initial Materiel Release (IMR) was split into two IMRs. The first release enabled the project to support acceptance of the radar to enable the Royal Australian Navy (RAN) to utilise the capability on HMAS <i>Arunta</i>, realign the CEA Technologies Pty Ltd payment schedule and commence the warranty period. The second release was aligned with IFF certification being sufficiently completed. IMR1 was declared December 2020 and IMR2 was declared in April 2021.</p> <p>IOC was declared in July 2021. MR2 was the first release after declaration of IOC, and was declared in November 2021. MR2 for the third ship installation in HMAS <i>Warramunga</i> was achieved in November 2021.</p> <p>The fourth ship, HMAS <i>Perth</i>, commenced SAT in February 2022 and MR3 was achieved in November 2022.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>Government at Gate 1 (March 2015) was presented multiple options including Developmental and Militarily-Off-The-Shelf (MOTS) options, with the MOTS approach based on an upgraded variant of AN/SPS-49(V) not progressing further as it did not resolve the obsolescence issues. Government did approve Defence's proposal to select CEA Technologies Pty Ltd as the sole Australian supplier of PAR to replace long-range air search radar using the developmental technology successfully installed under SEA1448 Phase 2A and 2B Anti-Ship Missile Defence (ASMD) programs. This solution provided a three-dimensional PAR with six fixed faces and an integrated IFF capability. Industry participants of the Anzac WAMA (previously Anzac Ship Integration Materiel Support Program Alliance) are undertaking the Mission System Integrator role. The project adopted the Smart Buyer Framework proceeding to Gate 2 approval throughout the 2016-17 period. In November 2016, Government approved early access to Acquisition Phase funding which enabled the project to progress a number of time-critical activities prior to Second Pass Approval. This allowed the project to maintain schedule and effectively mitigate 2016-17 schedule risks (subsequently retired) identified during Smart Buyer process. These activities included advanced material purchases for CEA Technologies Pty Ltd and BAE Systems Australia Ltd to commence mast production. At Gate 2 (June 2017), Government approved Defence's proposal to be the prime integrator for LRASC, and for the project to have overall responsibility for procuring and managing final Mission System key components. The integration of the LRASR and IFF system into the Anzac platform and Combat Management System (CMS) are delivered under the Anzac WAMA. Acquisition of supporting equipment and services are being delivered under FMS. Production timings and integration of the mission system(s) into the Anzac Class is driven by the AMCAP schedule, managed by the Anzac System Program Office.</p>
<p>Uniqueness</p> <p>The CEA Technologies Pty Ltd PAR technology on which SEA1448 Phase 4B is based is considered to be a Strategic Industry Capability. The acquisition of which will ensure the RAN has regionally superior technology into the future. The IFF system will be integrated into the PAR faces. This is a world leading technological step to have the IFF interrogator integrated into the PAR faces without a secondary system requirement.</p>
<p>Major Risks and Issues</p> <p>There are no risks categorised above medium/low for the project currently.</p> <p>The issue the project is managing:</p> <ul style="list-style-type: none"> Materiel Releases IMR1, IMR2, MR2 and MR3 were achieved with exceptions relating to outstanding electromagnetic testing and delivery of the Integrated Logistics Support (ILS) matrix. The ILS matrix has subsequently been delivered and the electromagnetic final testing report was received from CEA Technologies Pty Ltd in December 2023. <p>There are no issues categorised above medium/low for the project currently.</p> <p>The issues that have been retired:</p> <ul style="list-style-type: none"> The Independent Assurance Review (IAR) of September 2022 identified that the Project had no commercial support resources and recommended that commercial resources be procured which was approved at the Head of Maritime Sustainment (HMS) Major Projects Governance Board on the 10th August 2023 Following the successful recruitment, the risk was downgraded on 9 November 2023 and downgraded to medium. MR3 and MR4 were achieved with two exceptions. These exceptions, relating to EMI testing and the final ILS matrix. These exceptions were removed in MR5.
<p>Other Current Related Projects/Phases</p> <p>The deliverables provided by SEA1448 Phase 4B have been incorporated into the overall AMCAP schedule. The AMCAP involves a suite of upgrades to the Anzac platform being delivered by multiple projects, of which SEA1448 Phase 4B is one. Delays or issues with other AMCAP projects can delay the schedule of SEA1448 Phase 4B.</p> <p>The AMCAP projects consist of:</p> <p>SEA1448 Phase 4A – Anzac Electronic Support System Improvements. This phase delivered a contemporary Electronic Support Measures system as part of the ASMD upgrade program and is being re-installed under the SEA1448 Phase 4B program.</p> <p>SEA1442 Phase 4 – Maritime Communications Modernisation. This phase will upgrade the communication capability in the eight Anzac Class Frigates and address communications system obsolescence in the Anzac Class.</p> <p>Anzac Platform System Remediation (PSR) Program. The PSR will see the upgrade of on-board systems that includes</p>

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ventilation, the propulsion control system to improve power and efficiency, waste management and water production systems.

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance³

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Oct 13	Original Approved	3.0	1
Jun 14	Real Variation – Scope	5.9	2
Mar 15	Government First Pass Approval	45.2	3
Jan 17	Real Variation – Scope	20.4	4
Aug 17	Government Second Pass Approval	353.3	
	Total at Second Pass Approval	427.8	
Jun 24	Exchange Variation	1.7	
Jun 24	Total Budget	429.4	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – CEA Technologies Pty Ltd	(170.0)	5
	Contract Expenditure – WAMA	(147.2)	
	Other Contract Payments / Internal Expenses	(29.7)	
		(346.9)	
FY to Jun 24	Contract Expenditure – CEA Technologies Pty Ltd	(4.1)	5
	Contract Expenditure – WAMA	(6.5)	
	Other Contract Payments / Internal Expenses	(0.1)	
		(10.8)	
Jun 24	Total Expenditure	(357.7)	
Jun 24	Remaining Budget	71.7	
Notes			
1	The project's original approved budget was the amount received for project initiation prior to Government Second Pass Approval.		
2	To advance the L-PAR Risk Reduction Program.		
3	Government First Pass approval to advance the progress of the risk reduction program to Gate 2.		
4	Early release of funding to commence activities in advance of Gate 2 Approval.		
5	Other Contract Payments/Internal Expenses comprise of FMS payments, operating expenditure and other capital expenditure not attributable 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
20.7	14.6	10.8	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> The variation is mainly due to: Increase in CEA Technologies Pty Ltd. \$1.7m due to milestones schedule movements from 2022-23, increase in WAMA pain share provision \$1.5m moved from 2022-23 and the removal of additional provision (\$9.2m) for CEA PAR-Simulator (PAR-SIM) security requirement. <u>PAES to Final Plan:</u> The variation is mainly due: Increase in WAMA provision \$1.0m for Escalation and Limb 3 (pain share) cost and the engagement of a Procurement and Commercial personnel (Team Downer contractor) \$0.2m and the decrease in CEA Technologies Pty Ltd. (\$4.5m) due to milestones schedule movements to the right, caused by changes in Schedule Maintenance Availability Master Plan (SMAMP) schedule, a reduced provision for uncontracted CEA Technologies Pty Ltd PAR-SIM security requirement and escalation cost and a reduced provision (\$0.4m) for FMS.
Variance \$m	(6.1)	(3.8)	Total Variance (\$m): (9.9)
Variance %	(29.3)	(25.9)	Total Variance (%): (47.6)

Notice to reader

3. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		0.3	Australian Industry	SEA1448 Phase 4B Anzac Air Search Radar Replacement end of year underspend of 0.1m mainly due to FMS activities being lower than expected as they are nearing closure. There were also some minor cost savings in project management activities. These cost savings have been offset by increased (WAMA) spend and CEA Technologies Pty Ltd escalation costs. This increased spend is in relation to Integration activities and WAMA true up payment updates.
		(0.4)	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
10.8	10.8	(0.1)	Total Variance	
		(0.6)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
WAMA	Aug 17	136.1	161.2	Variable with Pain/Gain Share	Alliance	1, 2, 4
CEA Technologies Pty Ltd	Sep 17	166.6	165.2	Fixed with indices escalation	Standard Defence Contract	2, 3
Notes						
1	WAMA consists of Commonwealth of Australia, BAE Systems Australia Ltd, Saab Australia Pty Ltd and Naval Ship Management (Australia) Pty Ltd. The primary industry partners for SEA1448 Phase 4B tasking is BAE Systems Australia Ltd and Saab Australia Pty Ltd.					
2	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
3	SEA1448 Phase 4B contract execution date is official order under the Head Contract DMO/ESD/00297/2013 Standing Offer for PAR Development Services, executed 30 October 2013. The Contract Change Proposal (CCP) reduced the contract price by removing the performance security as the technology had been demonstrated.					
4	WAMA price at 30 June 2024 includes pain share, which is for additional contract costs shared between Alliance Industry Participants and the Commonwealth.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
WAMA	8	8	Mast, Ship Systems and integration	-
	8	8	CMS upgrades and integration	-
CEA Technologies Pty Ltd	1	1	Qualification and Verification System	-
	8	8	Mission System Ship Sets	-
	2	2	Depot Spare Systems	-
	4	8	Training Simulators	1
Major equipment accepted and quantities to 30 Jun 24				
As at 30 June 2023, the fourth ship installation HMAS <i>Perth</i> (MR3) has been fully accepted (which includes aft mast installation, integration, Harbour Acceptance Trials (HAT) and SAT)). Ships accepted are HMAS <i>Arunta</i> , HMAS <i>Anzac</i> , HMAS <i>Warramunga</i> , HMAS <i>Perth</i> , and HMAS <i>Stuart</i> was accepted in June 2024.				
Notes				
1	CEA Technologies Pty Ltd CCP was accepted to modify the number of training simulators from four to eight to support the training requirements solution put forward by the WAMA.			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on Local Industry Capability which is captured in CEA Technologies Pty Ltd and Saab Australia Pty Ltd's AIC Plans across the areas of manufacturing, project management, engineering, ILS and training material.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

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Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	CEA Technologies Pty Ltd Radar System Performance Specification	N/A	N/A	Aug 17	N/A	-
Preliminary Design	Mast	N/A	N/A	Apr 17	N/A	1
	Platform	N/A	N/A	Sep 17	N/A	1
	Whole of Ship	N/A	N/A	Nov 17	N/A	1
Critical Design	Mast	N/A	N/A	Sep 17	N/A	1
	Platform	N/A	N/A	Jun 18	N/A	1
	Whole of Ship	N/A	N/A	Jun 18	N/A	1
Notes						
1	Original Planned dates for completion of Preliminary and Critical Design activities not disclosed within the Integrated Master Schedule as these dates were determined prior to Second Pass Approval.					

3.2 Contractor Test and Evaluation Progress

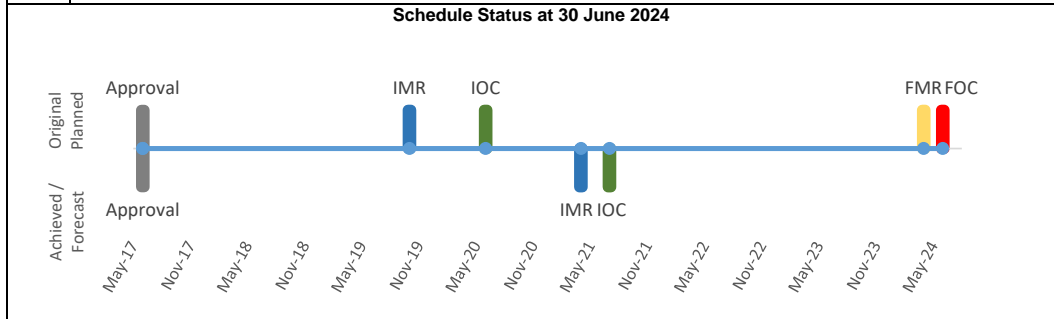
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	HMAS <i>Arunta</i> – Category (Cat) 1 (Factory Acceptance Testing (FAT))	Nov 18	N/A	Apr 19	5	1
	HMAS <i>Arunta</i> – Cat 2 (Environmental Qualifications) and Cat 3 (Integration)	Jan 19	May 20	Jul 20	18	2, 3
	HMAS <i>Arunta</i> – Cat 4 HAT	Feb 19	N/A	Oct 19	8	4
	HMAS <i>Anzac</i> – Cat 4 HAT	Aug 19	N/A	May 20	9	4, 5
	HMAS <i>Warramunga</i> – Cat 4 HAT	Jul 20	Mar 21	Jun 21	11	-
	HMAS <i>Perth</i> – Cat 4 HAT	Dec 20	Dec 21	Feb 22	14	4
	HMAS <i>Toowoomba</i> – Cat 4 HAT	Nov 21	Jul 22	Aug 22	9	4
	HMAS <i>Stuart</i> – Cat 4 HAT	May 22	Jul 23	Jul 23	14	4
	HMAS <i>Ballarat</i> – Cat 4 HAT	Feb 23	Feb 24	Aug 24	18	4
	HMAS <i>Parramatta</i> – Cat 4 HAT	Aug 23	NFP	NFP	NFP	4
Acceptance	HMAS <i>Arunta</i> – Cat 5 SAT	Sep 19	N/A	Mar 20	6	4
	HMAS <i>Anzac</i> – Cat 5 SAT	May 20	N/A	Oct 20	5	4, 5
	HMAS <i>Warramunga</i> – Cat 5 SAT	Feb 21	May 21	Jul 21	5	4
	HMAS <i>Perth</i> – Cat 5 SAT	Sep 21	Mar 22	Apr 22	7	4
	HMAS <i>Toowoomba</i> – Cat 5 SAT	Jun 22	Sep 22	May 23	8	4
	HMAS <i>Stuart</i> – Cat 5 SAT	Dec 22	Apr 24	Nov 23	11	4
	HMAS <i>Ballarat</i> – Cat 5 SAT	Oct 23	Dec 24	Sep 24	11	4
HMAS <i>Parramatta</i> – Cat 5 SAT	Apr 24	NFP	NFP	NFP	4	
Notes						
1	A manufacturing delay with CEA Technologies Pty Ltd resulted in the FAT from November to December 2018. Test Reports were accepted in April 2019.					
2	CEA Technologies Pty Ltd CCP approved the delay in which CEA Technologies Pty Ltd are to obtain Environmental Qualification for the LRASR.					
3	Cat 3 integration activities completed in May 2019. Acceptance of Cat 3 reports occurred in September 2019. The Cat 2 test results received in July 2020. This delay was caused by the limited number of appropriately certified third party test facilities and longer than anticipated test durations.					

4	Delays in the AMCAP schedule have delayed acceptance trials and are reflected in MAA version 6.
5	HMAS Anzac Cat 4 testing undertaken in April 2020, with acceptance of the test reports in May 2020.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release 1 (IMR1)	Oct 19	Dec 20	14	1, 2, 3, 4, 5
Initial Materiel Release 2 (IMR2)	Mar 21	Apr 21	1	2, 3, 4, 5
Initial Operational Capability (IOC)	Jun 20	Jul 21	13	1, 4
Final Materiel Release (FMR)	Apr 24	NFP	NFP	4, 6
Final Operational Capability (FOC)	Jun 24	NFP	NFP	7

Notes	
1	IMR and IOC dates are dependent on IFF certification, which was impacted by COVID-19 travel restrictions.
2	IMR1 with radar acceptance occurred December 2020 and IMR2 IFF certification was completed by April 2021.
3	Delays in the AMCAP schedule for HMAS Arunta and HMAS Anzac has resulted in delays to Cat 4 and Cat 5.
4	These milestone definitions are aligned with Section 4.2.
5	MR3 was achieved with three exceptions, one of these exceptions was resolved at MR4 and the remaining two at MR5. Current issues are in Section 5.3 of this Project Data Summary Sheet (PDSS).
6	Delay is due to alignment with ship availability and the testing milestones in Section 3.2.
7	Delays to the AMCAP schedule have resulted in FOC delayed and is reflected in MAA version 6.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project is currently meeting capability requirements as expressed in the Joint Project Directive and MAA.
	Amber: N/A
	Red: N/A

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

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4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR1)	Integration of one Air Search Radar and partial IFF system into the first ship, including installation of a new aft-mast and reinstallation of all extant systems. Delivery of on-board spares and training packages. Establishment of Initial Support Contracts for both Radar and Integration.	Achieved with exceptions
Initial Materiel Release (IMR2)	Integration of one Air Search Radar and full IFF system into the second Anzac Class Frigate, including installation of a new aft-mast and reinstallation of all extant systems. Delivery of on-board spares.	Achieved with exceptions
Initial Operational Capability (IOC)	Installation of equipment onto ships completed to date, development of operator and maintainer training package and initial package completed, tactical doctrine updated, completion of acceptance trials on the first ship completed, and the logistics support arrangements in place.	Achieved
Final Materiel Release (FMR)	Integration of one Air Search Radar and IFF system into the final ship. Delivery of all outstanding logistic documentation. Delivery of a support system. Final delivery of on-board spares and depot spares. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	Installation of equipment onto all ships is complete, training facilities have been set to work, operator and maintainer trainer is in a steady state, tactical doctrine is mature, full logistics support arrangements are in place, establishment and other fundamental inputs to capability arrangements are complete. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	IMR2 was achieved with four exceptions. Two of the three exceptions address EMI testing and delivery of the final ILS matrix.	The ILS matrix has been delivered and accepted – the EMI /EMC testing completed with the final report provided in December 2023. This issue has now been retired.
2	MR2 was achieved with two exceptions. These exceptions, relating to EMI testing and the final ILS matrix.	The ILS matrix has been delivered and accepted – the EMI /EMC testing has now been completed and the issue has now been retired.
3	The IAR of September 2022 identified that the Project had no commercial support resources. The IAR recommended that commercial resources be provided to the project. Subsequently, this issue was elevated to the HMS Major Projects Governance Board on the 10th August 2023.	Approval was provided by HMS and the HMS Major Projects Governance Board on 10 August 2023 to procure an additional commercial support resource. On 30 September 2023 Branch approval was provided. Following the successful recruitment, the risk was downgraded on 9 November 2023 and downgraded to medium.
4	MR3 and MR4 were achieved with two exceptions. These exceptions, relating to EMI testing and the final ILS matrix.	The ILS matrix has been delivered and accepted and the EMI/EMC testing has now completed with the final report being provided December 2023. These exceptions were removed in MR5. This issue has now been retired.
Note		
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.		

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured three lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Understanding of certification authority test requirements to ensure sufficient resources, facilities and personnel can be scheduled to minimise the chance of delays.	Program, Project & Product Management
DLR Lesson Type – Observation. Understanding of operational security requirements prior to the development of the acceptance program to minimise the chance of delays.	Program, Project & Product Management
DLR Lesson Type – Observation. Improved project assurance and governance oversight requirements, due to the uniqueness of the CEA Technologies Pty Ltd technology, has necessitated a non-traditional approach to requirements specification and acceptance.	Corporate Performance

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Maritime Sustainment Division
Branch	Major Surface Ships Branch

Project Data Summary Sheet¹

Project Number	SEA3036 Phase 1
Project Name	PACIFIC PATROL BOAT REPLACEMENT
First Year Reported in the MPR	2017-18
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Apr 16
Budget at 2nd Pass Approval	\$504.5m
Total Approved Budget (Current)	\$517.5m
2023–24 Budget	\$48.6m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

SEA3036 Phase 1 – Pacific Patrol Boat Replacement (PPB-R) is acquiring 24 vessels to replace the 22 Pacific Patrol Boats (PPBs) gifted to 12 Pacific Island countries between 1987 and 1997 and to provide two boats for Timor-Leste as part of Australia’s Pacific Maritime Security Program (PMSP). The project also includes disposal of the current PPB fleet and upgrades to Pacific Island infrastructure to enable safe berthing of the new Guardian Class Patrol Boats (GCPBs).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$51.7m against the FY 2023-24 budget of \$48.6m. The variance of \$3.1m is mainly due to works in progress on the new additional Boat 23, which was added into the acquisition contract on 21 June 2024. This and the budget for additional Boat 24 will be phased into the SEA3036 project budget.

Project Financial Assurance Statement

As at 30 June 2024, project SEA3036 Phase 1 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 Defence for this 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 has not applied for contingency in the Financial Year (FY). The project has utilised a portion of the contingency funding applied for in the FY 2022-23, primarily for engineering modifications to provide additional barriers and controls. This has reduced and treated potential risks to health and safety from hydrogen sulphide gas, which naturally occurs in the black and grey water systems of vessels. Long-term remediation will continue to be applied over the coming years to ensure the risk remains low.

Schedule Performance

The project is currently within the delivery phase. To date, 19 GCPBs have been delivered to their respective recipient nations as follows:

- Vessel 1 to Papua New Guinea (PNG) in November 2018.
- Vessel 2 to Tuvalu in April 2019.
- Vessel 3 to Tonga in June 2019.
- Vessel 4 to Samoa in August 2019.
- Vessel 5 to Solomon Islands in November 2019.
- Vessel 6 to Fiji in March 2020.
- Vessel 7 to Palau in September 2020.
- Vessel 8 to Kiribati in June 2021.
- Vessel 9 to Tonga in October 2020.
- Vessel 10 to PNG in March 2021.
- Vessel 11 to Solomon Islands in May 2021.
- Vessel 12 to Vanuatu in July 2021.
- Vessel 13 to PNG in October 2021.
- Vessel 14 to Federated States of Micronesia (FSM) in March 2022.
- Vessel 15 to Cook Islands in May 2022.
- Vessel 16 to FSM in August 2023.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO’s review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<ul style="list-style-type: none"> • Vessel 17 to PNG in October 2023. • Vessel 18 to Samoa in November 2023. • Vessel 19 to Fiji in February 2024. <p>In addition, from 1 July 2023 the project has achieved the following Key Milestones on time:</p> <ul style="list-style-type: none"> • Vessel 19 (Fiji) launch milestone achieved 21 August 2023. • Vessel 20 (Timor-Leste) launch milestone achieved 27 November 2023. • Vessel 21 (Kiribati) launch milestone achieved 21 February 2024. • Vessel 22 (Tuvalu) launch milestone achieved 27 May 2024. <p>Vessel 21 is scheduled for delivery in July 2024 and Vessel 22 is scheduled for delivery in September 2024. Vessel 20 was ready for delivery in May 2024 but Timor-Leste has formally advised Defence that it was not in a position to receive GCPBs. Due to long lead times for critical equipment, the two vessels added to the contract in June 2024 are currently scheduled for delivery. FOC is now expected to be achieved.</p> <p>To date the prime contractor key milestones have been met in alignment with the contract schedule, with the exceptions to this being:</p> <ul style="list-style-type: none"> • Delivery of the first vessel was approximately five weeks later than contracted as a result of delays in establishing a steel production facility, vessel production activities and the resolution of first of class issues. This delay incurred a corresponding delay to achievement of Initial Materiel Release (IMR) / Initial Operational Capability (IOC) which was achieved on 30 November 2018. • Delivery of five vessels were delayed by COVID-19 impacts, however, these did not impact the overall project timeline with Boats 6-9 delivered seven months late but Boats 10-13 delivered on time. • Delivery of six vessels were delayed due to rectification of a latent defect and engineering modifications for the installation and commissioning of a fixed gas detection system, both of which provided improved safety assurances to the crew. Boats 14-18 were delayed by 11 months, and vessels 19-21 will be delayed by nine months due to this issue. These issues have not impacted the negotiated delivery dates of Boats 22-24. • Delivery of GCPB 20 has been delayed, as Timor-Leste advised Defence it was not in a position to receive GCPBs at the scheduled date. <p>Aspects of the project involving Pacific Island Country Infrastructure upgrades, which were originally anticipated to be minor, have been completed with the Defence Cooperation Program Infrastructure Project completing an enhanced scope of major upgrades to ensure the vessels can be supported after delivery.</p> <p>Disposal of the existing PPBs is progressing in alignment with project needs.</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>The first 19 of 24 GCPBs have been delivered to their recipient nations. COVID-19 caused delay to delivery of vessels to Cook Islands, FSM, Kiribati, Palau, and PNG.</p> <p>The emergence of a latent defect and directive to deliver more robust safety monitoring systems delayed the delivery of Vessels 16 to 21.</p> <p>The delivery of Vessel 20 has been delayed as Timor-Leste advised Defence it was not in a position to receive GCPB.</p> <p>Delays have been absorbed within the overall project delivery schedule.</p> <p>The scope has been increased from 22 to 24 GCPBs via contract change during June 2024.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>SEA3036 Phase 1, PPB-R Project was initiated in 2014 under the auspices of PMSP to replace the 22 PPBs that were gifted to 12 Pacific Island Countries between 1987 and 1997 with GCPBs.</p> <p>The 12 PPB nations are Cook Islands, FSM, Fiji, Kiribati, Palau, PNG, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Timor-Leste have also been offered and in December 2017 accepted the offer to receive two GCPBs although were not originally part of the PPB program.</p> <p>A Request for Tender was released in March 2015 for up to 21 vessels no longer than 40 metres, built to a commercial standard with a steel hull. The tender also included a support contract for an initial period of seven years. The tender closed in June 2015, evaluations were completed in September 2015 with an Offer Definition and Improvement Activity concluded in January 2016. Austal Ships Pty Ltd was the preferred tenderer.</p> <p>Combined Pass Project Approval was achieved in April 2016. Both the acquisition and support contracts were signed with Austal Ships Pty Ltd in May 2016. The initial acquisition contract was for 19 vessels with a costed option for an additional two vessels. In April 2018, the project exercised the costed option for two additional vessels for Timor-Leste.</p> <p>Construction of the first vessel commenced in April 2017 with acceptance by the Commonwealth of Australia (CoA) (combined IMR and IOC) in November 2018. The last vessel is currently anticipated to be accepted by the CoA.</p> <p>Due to a delay in the acceptance and handover of the first boat of approximately five weeks, caused by the establishment of a dedicated steel production facility and resolution of first-of-class issues, Liquidated Damages have been accrued. Agreement has also been reached on provision of goods and services in kind to the CoA in alignment with the value of Liquidated Damages accrued.</p> <p>In August 2021, the vessel that was gifted to Samoa in August 2019 ran aground on a reef and its replacement, Boat 22, was added to the acquisition contract via a contract change in November 2022.</p> <p>In March 2023 the vessels given to Tuvalu and Vanuatu were damaged in a cyclone. Vanuatu's vessel will be repaired but after</p>

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<p>considering costs and risks, it is not economically viable to repair Tuvalu's vessel. The Project received approval in December 2023 to add to the contract a replacement vessel for Tuvalu along with a second vessel for Kiribati. The Project commenced negotiation with Austal Ships Pty Ltd for two additional vessels via a contract change which was approved in June 2024.</p> <p>The project is scoped and funded to complete minor infrastructure upgrades to existing infrastructure, enabling safe and secure berthing of the new, slightly larger, vessels. Responsibility for execution of the infrastructure upgrades was officially transferred from the project to Defence International Policy Division in September 2019, and later transferred to Pacific Division upon its creation in July 2023. The infrastructure upgrades within the original scope of SEA3036 Phase 1 have been completed and after a comprehensive investigation of Pacific infrastructure, the PMSP infrastructure project is carrying out a significantly more complex infrastructure upgrade for each of the PMSP nations receiving a GCPB.</p>
<p>Uniqueness</p> <p>The GCPB is a vessel being built to commercial standards that will be gifted to 13 nations. The vessels are being built to International Maritime Organisation requirements, under the Australian Maritime Safety Authority flag. Lloyds Register is the classification society and the vessels will meet class requirements. However, ultimately the GCPB will not be put into class. The project's Capability Manager is Chief of Navy with Pacific Division as the Sponsor of the PMSP. Once gifted, each vessel will become a sovereign asset of the recipient nations and Australia will assist and support their operation and sustainment.</p>
<p>Major Risks and Issues</p> <p>As at 30 June 2024, the project has mitigated the below major risks:</p> <ul style="list-style-type: none"> • Supplier being unable to achieve project milestones due to personnel shortage and supply chain delays. • Project being unable to achieve milestones due to personnel shortage within Project and Stakeholder teams. • Relatively inexperienced crews in some countries having enough practical experience to be ready to commence familiarisation training on the new GCPBs. <p>Using contingency funding, the project implemented engineering changes to improve the robustness of the controls separating the crew from the hazard across the class. This is no longer a major issue, however, additional contingency funding will be applied to roll out further engineering enhancements that will ensure the risk remains low over the long term.</p>
<p>Other Current Related Projects/Phases</p> <p>N/A</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Aug 14	Original Approved (Initial Pass Approval)	5.7	1
Jan 15	Real Variation – Transfer	1.2	2
May 16	Government Combined Pass Approval	497.6	
	Total at Second Pass Approval	504.5	
Oct 23	Real Variation – Transfer	14.2	3
Jun 24	Exchange Variation	(1.3)	
Jun 24	Total Budget	517.5	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Contractor - Austal Ships Pty Ltd	(317.0)	
	Other Contract Payments / Internal Expenses	(44.6)	4, 5
		(361.7)	
FY to Jun 24	Contract Expenditure – Austal Ships Pty Ltd	(44.4)	
	Other Contract Payments / Internal Expenses	(7.4)	6
		(51.7)	
Jun 24	Total Expenditure	(413.4)	
Jun 24	Remaining Budget	104.1	
Notes			
1	This amount was for Initial Pass Project Approval.		
2	Transfer of funding to Defence Materiel Organisation, now known as Capability Acquisition and Sustainment Group (CASG), to support Offer Definition Improvement Activity and Anthropometric Study. In the 2022-23 Major Projects Report (MPR) this figure was not included in the Total at Second Pass Approvals. This has now been reverted to the report provided in the 2021-22 MPR.		

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

3	Transfer of funding to Naval Shipbuilding and Sustainment Group for acquisition of Vessel 22.
4	Other contract payments and expenditure comprises of and other project support contracted staff costs (\$21.1m), other direct project costs (\$11.8m), infrastructure costs (\$8.1m) and Pre Combined Pass expenditure (\$3.6m).
5	The project finances include a historical discrepancy due to the change from cash to accrual accounting therefore the 2022-23 report incorrectly reported the prior to July 2022 contracted staff costs as \$16.9m rather than \$17.7m.
6	Other contract payments and expenditure includes, project support contracted staff costs of (\$8.4m) and other costs resulting in an adjustment of \$1.0m due to the payment of accrued funds.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
45.0	44.7	48.6	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> Variation (\$-0.2m) due to reprogramming of the prime contract during Additional Estimates Budget Update. <u>PAES to Final Plan:</u> Variation (\$3.8m) due to Budget Estimates Budget Update and foreign exchange fluctuations.
Variance \$m	(0.2)	3.8	Total Variance (\$m): 3.6
Variance %	(0.5)	8.6	Total Variance (%) 8.1

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		3.1	Australian Industry	The variance of \$3.1m is mainly due to works in progress on the new additional Boat 23, which was added into the acquisition contract 21 June 2024.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
48.6	51.7	3.1	Total Variance	
		6.5	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Austal Ships Pty Ltd	May 16	321.1	436.3	Fixed	Standard Defence Contract	1, 2
Notes						
1	Contract Value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
2	The price at 30 June 2023 includes the addition of Boats 20-21, which were added into the Austal Ships Pty Ltd contract on 12 April 2018, Boat 22, which was added into the Austal Ships Pty Ltd contract on 1 November 2022, and Boats 23-24 which were added into the Austal Ships Pty Ltd contract on 21 June 2024.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Austal Ships Pty Ltd	19	24	PPB-R vessels, conversion training and associated support system products.	1
Major equipment accepted and quantities to 30 Jun 24				
<ul style="list-style-type: none"> 4 x GCPB gifted to PNG. 1 x GCPB gifted to Tuvalu. 2 x GCPB gifted to Tonga. 2 x GCPB gifted to Samoa. 2 x GCPB gifted to Solomon Islands. 2 x GCPB gifted to Fiji. 1 x GCPB gifted to Palau. 1 x GCPB gifted to Kiribati. 1 x GCPB gifted to Vanuatu. 2 x GCPB gifted to Federated States of Micronesia. 1 x GCPB gifted to Cook Islands. 				

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Notes	
1	Two additional vessels were included into the scope of supply in April 2018 following acceptance in December 2017 by the Timor-Leste Government of the offer from the Australian Government to receive two boats. The vessel that was gifted to Samoa in August 2019 ran aground on a reef in August 2021 and its replacement was added to the project by contract change in November 2022. The Project has added two additional vessels by contract change in June 2024: one additional vessel for Kiribati and another to replace the Tuvalu vessel that was damaged in a cyclone in March 2023.

2.4 Australian Industry Capability

Summary	
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise competitive Australian industry involvement, where appropriate. Austal Ships Pty Ltd's AIC Plan identifies local industry activities which are captured in support of their design, manufacturing, project management, engineering, integrated logistic support and training activities.	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirement Conduct	Mission System	Aug 16	N/A	Aug 16	0	-
	Support System	N/A	Nov 16	Nov 16	0	1
Preliminary Designs Conduct	Mission System	Oct 16	N/A	Oct 16	0	-
	Support System	N/A	May 17	May 17	0	1
Detailed Design Conduct	Mission System	Feb 17	N/A	Feb 17	0	-
	Support System	N/A	Nov 17	Nov 17	0	1
Notes						
1	A contract change was executed in November 2016 to introduce the conduct of Support System Requirement Review, Support System Preliminary Design Review and Support System Detailed Design Review.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Harbour Acceptance Trials (HAT) Complete	PPB-R Boat 1	Jul 18	N/A	Oct 18	3	1
	PPB-R Boat 2-5	Aug 19	N/A	Sep 19	1	-
	PPB-R Boat 6-9	Aug 20	N/A	Aug 20	0	-
	PPB-R Boat 10-13	Aug 21	N/A	Aug 21	0	-
	PPB-R Boat 14-18	Oct 22	N/A	Nov 23	13	7
	PPB-R Boat 19-21	Jul 23	N/A	Apr 24	9	7
	PPB-R Boat 22	Jul 24	N/A	Jul 24	0	-
	PPB-R Boat 23-24	TBA	N/A	TBA	TBA	9
Acceptance	PPB-R Boat 1	Oct 18	N/A	Nov 18	1	1, 2, 3
	PPB-R Boat 2-5	Nov 19	N/A	Nov 19	0	3
	PPB-R Boat 6-9	Nov 20	N/A	Jun 21	7	4
	PPB-R Boat 10-13	Oct 21	N/A	Oct 21	0	3
	PPB-R Boat 14-18	Dec 22	Nov 23	Nov 23	11	5
	PPB-R Boat 19-21	Oct 23	TBA	TBA	TBA	5, 8
	PPB-R Boat 22	Sep 24	Sep 24	Sep 24	0	6
	PPB-R Boat 23-24	NFP	NFP	NFP	NFP	6

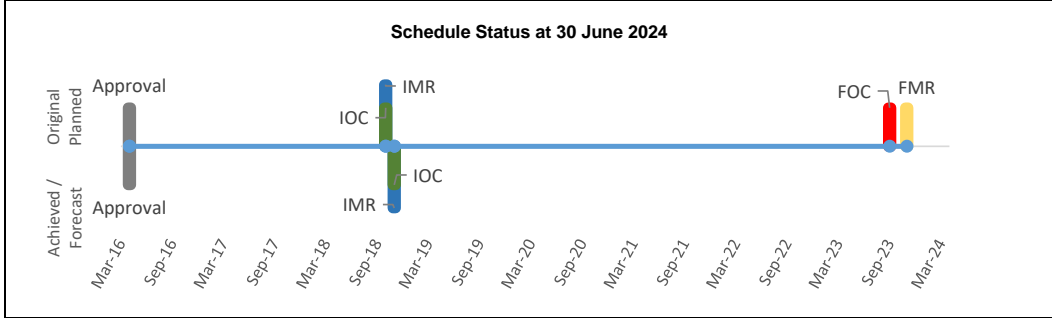
Notes	
1	The variance of three months is primarily due to equipment supply chain delays and first-of-class issues with set-to-work activities.
2	Testing of Vessel 1 includes operation-like test activities in advance of acceptance of Vessel 1.
3	Acceptance marks the successful completion of all tests and crew conversion training. The CoA accepts the vessel from the contractor and then gifts the vessel to the receiving nation.
4	The variance of seven months is due to COVID-19 pandemic travel restrictions restricting the crew for Vessel 8 travelling to Australia to undertake conversion training and receive their vessel. The delay of 10 months to Vessel 8 was absorbed within the overall program schedule.
5	Vessels 16 to 21 were delayed by a latent defect on the engine exhaust silencer for which a replacement design silencer has now been accepted, and the addition of safety equipment with a long lead time of approximately seven months to delivery. The greatest delay was to vessel 16, by 13 months, however this was absorbed via an accelerated delivery

	timeline that saw Vessels 16-18 delivered within 14 weeks.
6	The delivery date of Vessels 22-24 was constrained by the lead time for critical equipment delivery and was not impacted by any delays to previous vessels.
7	HAT are not a contracted milestone, however, the variation in contract milestones outlined in Note 5 has had an indirect impact on verification activities.
8	There is an additional delay to Vessels 19-21 as Timor-Leste has formally advised Defence it was not ready to accept Vessel 20.
9	Acceptance trials are not a contractual milestone. At June 30 Austal Ships Pty Ltd had not yet developed their detailed schedule for the additional vessels 23 & 24 and therefore had not yet advised the project of their expected dates for acceptance trials.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 18	Nov 18	1	1, 2
Initial Operational Capability (IOC)	Oct 18	Nov 18	1	3
Final Materiel Release (FMR)	Nov 23	NFP	NFP	1, 2, 4
Final Operational Capability (FOC)	Sep 23	NFP	NFP	5





Notes	
1	IMR and FMR dates were not scheduled at Combined Pass Government Approval.
2	IMR and FMR were achieved at acceptance of vessels by the CoA and handover to program partner nation.
3	IOC was achieved at acceptance of the first vessel and handover into operational service. This occurred simultaneously with IMR. The variance of one month is a result of delayed commencement of Sea Acceptance Trials and HAT for the first vessel, leading to a delay to delivery.
4	The new forecast date for FMR is the contracted delivery date of Vessel 24 and the date that the boat is expected to be delivered to the recipient Nation.
5	The new forecast date for FOC is the date at which it is expected that that all boats will have completed final post-acceptance activities and be accepted into operational service by the recipient Nation.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project expects to meet the current capability requirements as expressed in the Materiel Acquisition Agreement. Temporary repairs have resulted in the lifting of operational limitations that were previously reported. A permanent solution will be incorporated on all remaining vessels prior to delivery. Additional modifications will be retrofitted to vessels currently in service prior to the closure of the project, ensuring all vessels in the fleet will achieve a permanent solution to the issue.
	Amber: N/A
	Red: N/A
	Blue: The project has added two vessels into the project scope.
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	First vessel and associated support system technical documentation, initial spares and logistics documentation delivered and accepted by the CoA. IMR was achieved on 30 November 2018.	Achieved
Initial Operational Capability (IOC)	First vessel accepted into the Pacific Island Country operational service. IOC was achieved on 30 November 2018.	Achieved
Final Materiel Release (FMR)	Last vessel delivered, completed delivery of all remaining Acquisition Project Support deliverables and accepted by the CoA including completion of transition tasks in accordance with the PPB-R Transition Plan. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	All post-acceptance activities complete and vessels accepted into their Program Partner Country operational service. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that ship acceptance will be affected by Austal Ships Pty Ltd unable to meet production schedule milestones leading to an impact on cost, schedule, and reputation.	At 30 June 2024 this risk was downgraded to medium due to Austal Ships Pty Ltd continuing to demonstrate that they can manage workforce availability, supply chain issues and competing priorities to achieve targets, and will be removed from the next MPR.
2	There is a risk that key project milestones delivery will be affected by a lack of availability of suitably qualified, experienced and authorised project and stakeholder personnel, leading to an impact on cost, schedule and technical performance.	At 30 June 2024, this risk was downgraded to low due to the gradual decrease in project complexity and increase in project staffing and will be removed from the next MPR.

3	There is a risk that acceptance of the vessels for less experienced crews may be affected with a delay to commencement or of the inability to complete familiarisation training, leading to an impact on capability outcomes, cost, schedule, reputation and health & safety.	The successful pre-handover training and assessment, supported by Australian resources, have resulted in increased confidence that less experienced crews will be able to develop maturity. At 30 June 2024, this risk is assessed as medium and will be removed from the next MPR.
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5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)

Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Detection of low-level hazardous gas on board vessels indicates the controls for preventing the escape of gases from the black and grey water tanks may not be fully effective.	Engineering enhancements have been developed and rolled out across vessels in service and an enhanced suite of engineering modifications have been applied to vessels in service. This issue is now assessed as a low risk and will be removed from the next MPR. Additional engineering work will be applied using additional contingency funding to ensure that the risk remains low over the long term.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 19 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Lessons identified. Allocate schedule allowance to enable ramp-up and learning of Defence requirements for contractors inexperienced with Defence contracting templates.	Program, Project & Product Management
DLR Lesson Type – Insights. Use of review teams for assurance on contract development when tailoring Defence contracting templates.	Commercial Management
DLR Lesson Type – Lessons identified. Work with contractor to ensure the broader implications of key milestone delay and quality issues are understood and encourage early advice on delay.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Patrol Boats & Specialist Ships Division
Branch	Specialist Ships Acquisition Branch

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Project Data Summary Sheet¹

Project Number	SEA5000 Phase 1
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18 (D&P) Jun 24 (Batch One Construction)
Budget at 2nd Pass Approval	\$25,845.5m
Total Approved Budget (Current)	\$25,924.0m
2023–24 Budget	\$1,062.8m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 Phase 1 – Hunter Class Frigate Design and Construction (the project) will deliver six Hunter Class Frigates optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Tier 1 Surface Combatant capability.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. Hunter Class Frigates will contribute to air and surface warfare defence, as well as serving their primary mission of anti-submarine warfare.

In 2018 the project was approved for the Design and Productionisation (D&P) stage, which included:

- Progressing detailed design.
- Prototyping works.
- Procurement of Long Lead Time Items (LLTI) for the first three ships.

The head contract is with ASC Shipbuilding Pty Ltd (known and reported as BAE Systems Maritime Australia). The Hunter Class Frigates will be constructed in Osborne, South Australia.

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Hunter Class Frigate project was directed to acquire six ships of the same configuration.

On 11 June 2024 the Government approved the project to transition from the D&P stage into the Construction stage for the first batch of three ships, with additional funding approved to commence from Financial Year (FY) 2024-25. The Head Contract was amended on 20 June 2024 to include the Construction scope in the contract, with the new scope and amended commercial arrangements taking effect on 1 July 2024. A 'cut steel' event was held at Osborne, South Australia, on 21 June 2024 to initiate the transition to the Construction stage.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 FY 2023-24 expenditure was \$1,068.2m against the FY 2023-24 budget of \$1062.8m. The overspend was a result of efforts by the Project Team and BAE Systems Maritime Australia working together to ensure supply chain delays experienced earlier in the financial year were recovered.

Project Financial Assurance Statement

As at 30 June 2024, SEA5000 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 has not applied contingency in FY 2023-24.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. This has enabled the design of the mission and support systems to proceed, together with mobilisation of BAE Systems Maritime Australia to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

As reported in the 2022-23 Major Projects Report (MPR), the completion date (planned for November 2020, achieved on December

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2022) for the Mission System (MS) System Definition Review (SDR) drove delays to subsequent design reviews. The project also experienced schedule delay due to a combination of factors, including Covid-19 impacts and immaturity of the United Kingdom's (UK) Type 26 frigate design, which is the Reference Ship Design for the Hunter Class Frigate.

In June 2021, the Government agreed to defer the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This enabled Defence and BAE Systems Maritime Australia to address design maturity and develop a contractible offer for the first batch of three ships. The extended prototyping period initially included the construction of four Hunter Class Frigate Schedule Protection Blocks, in addition to the five Type 26 prototype blocks that were previously approved by Government in 2018. In November 2023, the Government approved an additional two Schedule Protection Blocks, both of which have since commenced construction. The project will use the six Schedule Protection Blocks in construction of the first ship.

The project returned to Government in June 2024 for consideration of the Batch One construction proposal. The project received Second Pass approval for construction of the first three ships.

While there are significant risks and challenges, as would be expected for a project of this complexity, the project commenced construction of the first ship on 21 June 2024. Defence continues to work with BAE Systems Maritime Australia to mitigate risks and manage issues.

In 2023-24 key activities achieved included completion of the Preliminary Design Review (PDR), Production Readiness Review (PRR), and the third Integrated Baseline Review (IBR3), as well as obtaining Government Second Pass approval for construction of the first three ships.

Initial key activities include progression of prototyping activities and Schedule Protection Block (SPB) construction, progression on the design zonal reviews, and ramp up of the Construction stage.

Material Capability/Scope Delivery Performance

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Government committed to the construction of six Hunter Class Frigates of the same configuration in two batches of three. This is an update from the previous Governments commitment to build nine Hunter Class Frigates in three batches of three. The Government has approved the construction for the first three frigates and the project will return to Government for approval of the subsequent three frigates later in this decade.

As at 30 June 2024, the scope of the head contract addressed the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. Under the existing head contract D&P scope and budget, BAE Systems Maritime Australia will also fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the mast.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background

The project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan. As at 30 June 2024, the project was in the D&P stage and had commenced the transition to the Construction stage. The project will continue to progress through multiple Government decision-making points for subsequent project stages.

The project was initiated in June 2014 with an Initial Pass approved by Government to commence capability development activities. Key activities and announcements over subsequent years included:

- August 2015 Government announced bringing forward the Future Frigate program to replace the Anzac Class Frigates as part of a continuous onshore build program to commence in 2020.
- September 2015 Interim Pass approved by Government for CEA Technologies Pty Ltd Radar Development activities.
- November 2015 Interim Pass approved by Government to progress a Competitive Evaluation Process (CEP).
- April 2016 First Pass approval for SEA5000 Phase 1 to complete the CEP based on tenders received from three ship designers.
- October 2017 Government announced decision to select the Aegis Combat System (ACS) together with an Australian Interface developed by Saab Australia Pty Ltd as the Combat Management System solution for the Future Frigate.

June 2018 Government announced BAE Systems Maritime Australia Global Combat Ship – Australia (GCS-A) as the capability best suited to Defence needs. The frigates were classed as the Hunter Class Fast Frigate Guided.

March 2020, the Hunter Class Frigate project was elevated to a Project of Interest, due to significant schedule, technical, workforce and cost challenges. February 2022, the project sought Interim Pass approval from Government to contract BAE Systems Maritime Australia to construct four Schedule Protection Blocks in addition to the five Type 26 prototype blocks it was already contracted to construct under the D&P scope.

July 2023, a PDR was conducted. The focus of the review was setting the Allocated Baseline (for the design of the Batch One ships and the Land Base Test Site), and examining options to control the accumulation of risk as detailed design progressed towards the Construction stage. In line with the forecast in the 2022-23 MPR, the PDR Key Milestone was achieved on schedule in October 2023.

November 2023, the Government approved an additional two Schedule Protection Blocks. This approval was intended to mitigate the risks of the loss of shipyard workforce prior to a Government approval to enter into the Batch One Construction Contract in Quarter 2, 2024.

February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Hunter Class Frigate project was directed to acquire six ships of the same configuration.

Uniqueness

SEA5000 Phase 1 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each

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stage requiring separate approvals by Government to ensure the project remains within cost constraints.
While the principles of the One Defence Capability System will be applied to the project, due to the longevity, and staged nature of the project, a unique approach will be required to manage the six ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for each of the two batches of ships and their support system.
Major Risks and Issues The project is currently managing risks at both a strategic and tactical level. Strategic risks identified within Section 5 broadly fall under a number of key areas being: <ul style="list-style-type: none"> • Ship design maturity. • Combat System Integration. • Operating capability delivered to Navy. • Navy workforce.
Other Current Related Projects/Phases Not applicable
Note Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Jun 14	Original Approved (Initial Pass Approval)	62.8	
Sep 15	Interim Pass Approval	52.6	1
Jan 16	Pre First Pass Approval	22.1	2
Apr 16	Government First Pass Approval	208.2	
Oct 17	Interim Pass Approval	55.5	3
Jun 18	Government Second Pass Approval (D&P)	5,782.7	
Aug 19	Real Variation – Transfer	3.3	5
Sep 22	Real Variation – Transfer	(9.8)	6
Mar 23	Real Variation – Transfer to DST05000 Phase 1	(12.5)	7
Jun 24	Government Second Pass Approval (Batch 1 Construction)	19,680.6	4
	Total at Second Pass Approval	25,845.5	
Jun 24	Exchange Variation	78.4	
Jun 24	Total Budget	25,924.0	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – BAE Systems Maritime Australia	(1,544.4)	
	Contract Expenditure – Foreign Military Sales (FMS) Case (AT-P-GSC)	(212.7)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(121.5)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(51.4)	
	Contract Expenditure – Odense Maritime Technology A/S	(40.8)	10
	Other Contract Payments / Internal Expenses	(639.1)	8
		(2,569.7)	
FY to Jun 24	Contract Expenditure – BAE Systems Maritime Australia	(758.2)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(104.0)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(59.3)	
	Contract Expenditure – Thales Australia Ltd	(29.4)	
	Contract Expenditure – Saab Australia Pty Ltd 2	(11.6)	
	Other Contract Payments / Internal Expenses	(105.8)	9
		(1,068.2)	
Jun 24	Total Expenditure	(3,637.9)	
Jun 24	Remaining Budget	22,286.1	

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

Notes	
1	CEA Technologies Pty Ltd Radar Development Program.
2	Initiating the Competitive Evaluation Process for Future Frigates.
3	Conduct further combat system development activities and to secure critical support staff.
4	The project received Second Pass approval for construction of the first three ships.
5	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (formerly known as the Estate and Infrastructure Group) to address funding shortfall with the Naval Capability Infrastructure Sub-program.
6	Funding transfer between CASG and Navy to address funding shortfall due to Interim Arrangement.
7	Funding transfer between CASG and Defence Science and Technology Group
8	Other contract payments include: <ul style="list-style-type: none"> Project and Commercial Support (\$279.4m) which includes Deloitte Touche Tohmatsu LLC (\$40.5m), Odense Maritime Technology A/S (\$12.9m). Technical Support (\$237.2m) which includes Raytheon Australia Pty Ltd (\$40.1m) and SAAB Australia Pty Ltd 1 (\$34.9m). Competitive Evaluation Process Participants (\$122.5m) which includes BAE Systems Australia Ltd (\$56.6m) and Fincantieri S.P.A (\$29.7m).
9	Other contract payments include: <ul style="list-style-type: none"> Project and Commercial Support (\$78.4m); which includes Deloitte Touche Tohmatsu LLC (\$3.7m) and QinetiQ Pty Ltd (\$2.2m). Technical Support (\$27.4m) which includes; Downer Defence Services (\$8.1m) and Gibbs & Cox Australia Pty Ltd (\$5.8m).
10	Odense Maritime Technology A/S previous expenditure was included under Other Contract Payments expenditure specifically called out in this year's report due to contract value being in the Top five contract amounts

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
779.6	1,190.5	1,062.8	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statements (PAES)</u> : The increase in budget due to: additional Head Contract requirements relating to the Schedule Protection Blocks; increase in forecasted FMS disbursements; increase in Towed Array Sonar expenditure for long lead-time items to meet schedule; and increase in Foreign Exchange adjustments. <u>PAES to Final Plan</u> : The movement is due to lower than forecast expenditure against the Head Contract; reduction in Australian Interface and CEA Technologies Pty Ltd expenditure; decrease in FMS disbursements; and decrease in Foreign Exchange adjustments.
Variance \$m	410.9	(127.7)	Total Variance (\$m): 283.3
Variance %	52.7	(10.7)	Total Variance (%): 36.3

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		3.4	Australian Industry	Higher than budgeted expenditure is due to: Efforts by the Project Team and BAE Systems Maritime Australia to ensure supply chain delays experienced earlier in the FY were recovered. This has offset underspends against combat system activities and delays in establishing temporary warehousing at Osborne.
		2.0	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
1,062.8	1,068.2	5.4	Total Variance	
		0.5	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
US Government (AT-P-GSC)	Jan 16	5.5	256.9	Reimbursement (for FMS)	FMS	1, 7
BAE Systems Maritime Australia	Dec 18	1,904.1	3,124.7	Variable	Standard Defence Contract	2, 7

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US Government (AT-P-LFZ)	Sep 20	626.6	980.2	Reimbursement (for FMS)	FMS	3, 7
CEA Technologies Pty Ltd 2	Sep 21	27.8	136.5	Firm or Fixed	Standard Defence Contract	4, 7
Saab Australia Pty Ltd 2	Jul 23	2.7	30.2	Firm or Fixed	Standard Defence Contract	5, 7
Thales Australia Ltd	Oct 23	66.3	66.8	Firm or Fixed	Standard Defence Contract	6, 7
Notes						
1	US Government Initial Memorandum of Understanding (MoU) was for SEA5000 Feasibility and Technical Integration Study. Contract value increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAR / Cooperative Engagement Capability and integration of CEAFAR into the ACS. Contract value also includes acquisition of Long Lead Time Items for Development Sites.					
2	D&P for Hunter Class Frigates. Major Contract changes since Effective Date include the Interim Arrangement, and introduction of the Support System Scope.					
3	Initial amount for the acquisition of Australian Surface Combatants ACS long lead items. Amendment includes additional major weapons system equipment.					
4	The development and testing of new interface between US Aegis and CEAFAR2 Phased Array Radar Systems.					
5	Strategic Management System Services under the Australian Combat Management System Enterprise Partnering Agreement for Design and Engineering Services for the Australian Combat System Interface with ACS, scope has grown from initial planning to include design and delivery services for Hunter.					
6	Towed Array Sonar Long Lead Time Items for three shipsets.					
7	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
US Government (AT-P-GSC)	N/A	N/A	Feasibility and Integration studies	-
BAE Systems Maritime Australia	N/A	N/A	D&P for Hunter Class Frigates.	-
US Government (AT-P-LFZ)	3	3	Three shipsets of ACS long lead items.	-
CEA Technologies Pty Ltd 2	N/A	N/A	Development and testing of new interface between US Aegis and CEAFAR2 Phased Array Radar Systems.	-
Saab Australia Pty Ltd 2	N/A	N/A	Design and Engineering Services for the Australian Combat System Interface with ACS.	-
Thales Australia Ltd	3	3	Towed Array Sonar Long Lead Time Items only for three shipsets.	-
Major equipment accepted and quantities to 30 Jun 24				
N/A				
Notes				
N/A				

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in CEA Technologies Pty Ltd, BAE Systems Maritime Australia, Saab Australia Pty Ltd and Thales Australia Ltd AIC Plans in support of their program & project management, systems integration, data management, business intelligence support and assurance activities.
The project has no contracted AIC targets or AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements Review (SRR)	Mission System and Support System (SS)	Sep 19	N/A	Sep 19	0	1

System Definition Review (SDR)	Mission System	Nov 20	Apr 22	May 22	18	1, 2
	Support System	Nov 20	Mar 23	Dec 22	25	1, 2, 3
Preliminary Design Review (PDR)	Mission System	N/A	Oct 23	Oct 23	N/A	1, 2, 4
Critical Design Review (CDR)	Mission System CDR	Nov 22	N/A	N/A	N/A	6
	Mission System (Final Critical Design Review (F-CDR))	Jun 24	N/A	NFP	NFP	2, 5
	Support System (Support System Critical Design Review (SS-CDR))	NFP	N/A	To Be Determined	N/A	2, 5
Notes						
1	The achieved dates for the SRR, SDR and PDR are based on the dates that the associated Head Contract Key Milestones were achieved. Achievement of SRR and Mission System SDR (MS-SDR) were September 2019 and May 2022 respectively. Head Contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MS-SDR, primarily as a result of design delays experienced in the UK Type 26 Program, resulted in delays to subsequent design reviews. The MS-SDR included an element that was focused on the Land Based Test Site (Development and Sustainment) (LBTS (D&S)).					
3	In Quarter 3, 2021, the conduct of the SS-SDR exit event was deferred to October 2022, by mutual agreement between Defence and BAE Systems Maritime Australia. The delay enabled the Integrated Logistics Support artefacts to be further matured, thus significantly increasing the likelihood of achieving an optimal outcome from the design review process.					
4	The PDR exit event was conducted in July 2023. The review focused on setting the Allocated Baseline (for the design of the Batch One ships and the LBTS (D&S)). It also examined options to control the accumulation of risk as detailed design progressed towards the Batch One construction stage.					
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only. Defence and BAE Systems Maritime Australia are in the process of re-baselining the schedule for the D&P scope beyond the PDR event. The D&P scope schedule re-baseline activity was completed in August 2022 in advance of the IBR2 conducted in November 2022. BAE Systems Maritime Australia formally proposed the dates listed in the table for SS-CDR and F-CDR in November 2022, with a date for SS-CDR to be proposed once the Contract Change Proposal for SS functional baseline has been agreed.					
6	The MS-CDR was removed from the Head Contract during this reporting period.					

3.2 Contractor Test and Evaluation Progress

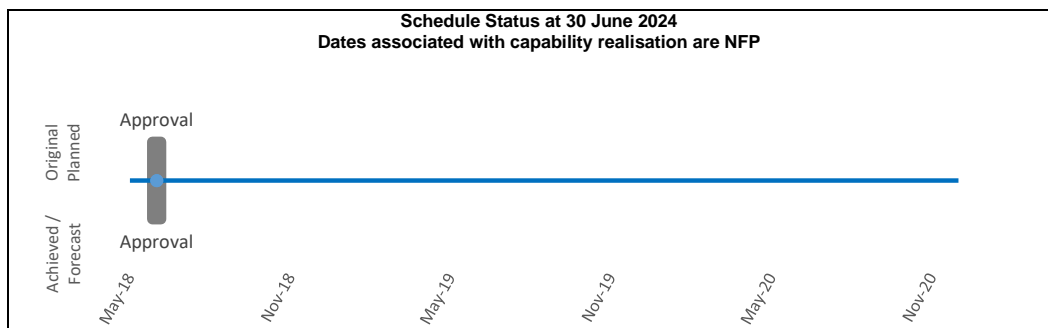
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One construction commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	NFP	NFP	NFP	NFP	3
Notes						
1	In June 2021 the Government approved the deferral of the Ship One construction commencement from December 2022 to no later than June 2024.					
2	Ship One construction commenced in June 2024.					
3	These dates were approved by Government in June 2024 and take effect commercially on 1 July 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1
Initial Operational Capability (IOC)	NFP	NFP	NFP	2
Final Materiel Release (FMR)	TBA	TBA	N/A	3
Final Operational Capability (FOC)	TBA	TBA	N/A	3
Notes				
1	BAE Systems Maritime Australia has a contracted Vessel Acceptance Date which is considered equivalent to IMR. These dates were approved by Government in June 2024.			
2	Operational Capability Milestones dates were approved by Government in June 2024. Dates associated with capability realisation are NFP.			
3	These milestones are expected to be defined by Government in the Batch 2 Second Pass Approval.			

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Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
Not Applicable	Green: As at 30 June 2024, the project did not have any materiel capability delivery contracted, with the Batch 1 construction scope taking effect on 1 July 2024. As at 30 June 2024, the project was approved for the D&P stage, inclusive of prototyping and procurement of LLTI for the Hunter Class Frigate. Capability requirements were approved by Government in June 2024 and will be reported from FY2024-25.
Not Applicable	Amber: As described in Section 5, the project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached.
Not Applicable	Red: In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, Government committed to the build of six Hunter Class Frigates of the same configuration in two batches of three. This is an update from the previous Government's commitment to build nine Hunter Class Frigates in three batches of three. Government has approved the build for the first three frigates and the project will return to Government for approval of the subsequent three frigates later in the decade.
Note This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Commonwealth signature of the Supplies Acceptance Certificate for Ship 1. Forecast dates for IMR are NFP.	Not yet achieved
Initial Operational Capability (IOC)	Forecast dates for IOC are NFP.	Not yet achieved
Final Materiel Release (FMR)	Note 1	Not yet achieved
Final Operational Capability (FOC)	Note 1	Not yet achieved
Notes		
1	FMR and FOC will not be set until after Government approval for Batch 2.	

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that Hunter Class Frigate Batch 1 design, presented at Batch 1 submission, does not provide a sustainable design due to restrictions on margins, platform limitations, design uncertainty, and Reference Ship Design intent, resulting in a compromised capability,	The project is tracking naval architecture limits and design margins closely through head contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process.

2	There is a risk, caused by design delays and accumulated technical debt, that the Hunter Class Frigate design is not sufficiently mature to maintain continuous, efficient production in Quarter 2, 2024. The result is schedule slippage, higher costs, lower quality and capability limitations.	Design maturity is being achieved via a staged release approach. The maturity of design zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule.
3	There is a risk, caused by the evolving Combat System design, that combat system integration into the ship is not sufficiently mature to support achievement of all expected capability requirements for Ship 1/ Batch 1, resulting in operating capability limitations as well as cost and schedule over runs.	The project, BAE Systems Maritime Australia, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the head contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan.
4	There is a risk, due to competition in the labour market, realised at Vessel Acceptance Date, the Future Navy Workforce is unable to raise, train and sustain sufficient Navy Workforce to support Royal Australian Navy capabilities and provide seaworthiness assurance.	The project, with Navy and BAE Systems Maritime Australia, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 20 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Government Furnished Material, data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various branches, divisions and System Program Office's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Program, Project & Product Management
DLR Lesson Type – Observation. A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Decision Support
DLR Lesson Type – Observation. A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in International Organisation for Standardisation Standard 9004:2018 is required to ensure continuous and sustained success, particularly within a project that is highly complex.	Decision Support

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Major Surface Combatants and Combat Systems
Branch	Hunter Class Frigate

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Project Number	SEA9100 Phase 1
Project Name	IMPROVED EMBARKED LOGISTICS SUPPORT HELICOPTER
First Year Reported in the MPR	2023-24
Capability Type	Expansion of extant Fleet
Capability Manager	Chief of Navy
Government 1st Pass Approval	Mar 22
Government 2nd Pass Approval	Mar 22
Budget at 2nd Pass Approval	\$1,460.2m
Total Approved Budget (Current)	\$1,710.4m
2023–24 Budget	\$177.1m
Complexity	ACAT III



Section 1 – Project Summary

1.1 Project Description

SEA9100 Phase 1 Improved Embarked Logistics Support Helicopter Project will expand and rationalise the Royal Australian Navy's support and logistics helicopter fleet through the Foreign Military Sales (FMS) acquisition of additional MH-60R Seahawk helicopters. The project will acquire 12 helicopters, spares and equipment to support operations on the Navy Amphibious and Afloat Support fleet, with an additional helicopter being acquired to remediate a fleet loss on operations in October 2021. This will grow the existing MH-60R Seahawk Romeo fleet to 36 aircraft in total, replacing Navy's MRH-90 Taipan helicopter fleet which ceased operations in May 2022. The project will build on the established elements from its predecessor, AIR9000 Phase 8, and includes the Military off-the-shelf (MOTS) purchase of aircraft from the United States Navy (USN) through a FMS agreement.

1.2 Current Status

<p>Cost Performance</p> <p><u>In-year</u> As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$160.4m against the FY 2023-24 budget of \$177.1m. The variance is primarily driven by lower than budgeted disbursement against FMS case AT-P-SCO – the project had lower than expected disbursements driven by later than anticipated spending profile against the aircraft production and, lower than anticipated contractor related expenses, combined with later than anticipated requirement for project office administration budget.</p> <p><u>Project Financial Assurance Statement</u> As at 30 June 2024 SEA9100 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this 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.</p> <p><u>Contingency Statement</u> The project has not applied contingency in the FY 2023-24.</p>
<p>Schedule Performance</p> <p>The project is on track to meet Initial Operational Capability (IOC) and Final Operational Capability (FOC) Milestones.</p> <p>The USN has continued to execute project activities in accordance with the FMS agreement, including management of aircraft production contracts and procurement of spares and supporting equipment.</p> <p>The MH-60R helicopters will commence manufacture on the aircraft production line, procurement and delivery of spares and supporting equipment will continue, and Facilities design will be finalised and commence Public Works Committee approvals.</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>The MH-60R Seahawk Romeo helicopter is a MOTS product being procured from the USN via FMS. The MH-60R Seahawk Romeo has been in service with the USN since 2005 and was first deployed operationally by the USN in early 2010. The Australian Defence Force (ADF) commenced MH-60R Seahawk Romeo operations in 2013 and has accepted delivery of 24 MH-60R via AIR9000 Phase 8. SEA9100 Phase 1 will expand the ADF fleet of Seahawk Romeo to 36 aircraft. The Project capability and scope delivery remains on track.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

1.3 Project Context

<p>Background</p> <p>Government direction provided in the Force Structure Plan 2020 (FSP) stated Defence was to "expand and rationalise" the Maritime Helicopter capability "consistent with expectations for larger naval operations." To meet expectations for increased naval operations cited in 2020 FSP, Navy was required to expand the number of Maritime Helicopter Flights from eight to 14. To meet Government direction, the Sponsor proposed to acquire additional MH-60R Seahawk Romeo helicopters, thereby taking maximum advantage of established Fundamental Inputs to Capability (FIC) elements and high levels of interoperability with the USN.</p> <p>SEA9100 Phase 1 achieved Gate 0 Project Approval by the Investment Committee in February 2021. In 2021, the project performed a Smart Buyer activity, which noted a schedule urgency to commit to a FMS Acquisition of MH-60R by 31 March 2022 to ensure continuity of the aircraft production line. The Smart Buyer profile was used to refine the project scope and associated execution strategy, which resulted in SEA9100 Phase 1 progressing a tailored Combined Pass approval submission. This accelerated timeframe to achieve Combined Pass approval meant that Facilities and Training Area requirements were initially excluded. SEA9100 Phase 1 received Gate 2 Combined Pass Approval in March 2022, with Facilities and Training Areas receiving Two Minister Combined Pass approval the following year in May 2023.</p>
<p>Uniqueness</p> <p>The SEA9100 Phase 1 FMS acquisition of 13 MH-60R helicopters, and associated support systems, is an expansion of the extant in-service ADF MH-60R fleet and resultant capability founded under AIR9000 Phase 8 and the SEA5510 Phase 1 Romeo Capability Assurance Program. As such, SEA9100 Phase 1 significantly reduces both acquisition and sustainment costs and the complexity and timeframes to realise the capability requirements defined in 2020 FSP.</p> <p>The 13 MH-60R helicopters being procured are the same type and model as those already in-service and they will operate under already issued and extant ADF Military Type and Air Operator Certificates.</p>
<p>Major Risks and Issues</p> <p>The Project Office (PO) currently has no high rated risks and no high rated issues (pre-mitigation rating).</p>
<p>Other Current Related Projects/Phases</p> <p>AIR9000 Phase 8 - Future Naval Aviation Combat System. Acquisition of 24 MH-60R Seahawk Romeo Maritime Combat Helicopters and Support Systems.</p> <p>SEA5510 Phase 1 - MH-60R Seahawk Capability Assurance Program (CAP). Cooperative program with the USN to jointly develop capability enhancements, address obsolescence and ensure the MH-60R maintains ongoing configuration alignment, interoperability and interchangeability with the USN.</p> <p>CN35 - MH-60R Seahawk Romeo Sustainment – In-service management of the MH-60R fleet and support systems (covering operational, engineering, maintenance, supply and training support elements).</p> <p>SEA1300 Phase 1 - Navy Guided Weapons Project – Procurement of helicopter launched weapons.</p> <p>SEA1654 Phase 4 - Maritime Operational support capability – Delivery of two Auxiliary Oiler Replenishment ships <i>Supply</i> (2021) and <i>Stalwart</i> (2022) may need modification to support full MH-60R capability.</p> <p>SEA2048 Phase 6 - Landing Helicopter Dock (LHD) CAP – LHD class of vessels may need modification to support full MH-60R capability.</p> <p>ESTS9100 Phase 1 - Improved Embarked Logistics Support Helicopter – Facilities to support Improved Embarked Logistics Support Helicopter capability.</p> <p>JP9347 - New ADF Tactical Information Exchange Domain Capability – SEA9100 Phase 1 will interface with the Enterprise Intelligence System and future Tactical Data Link.</p> <p>JP9321 - Joint Electronic Warfare sub-Program – SEA9100 Phase 1 will interface with the Enterprise Intelligence System and future Tactical Data Link.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Mar 21	Interim Approval	4.4	1
Jun 21	Real Variation – Transfer	(1.7)	2
Jun 22	Government Second Pass Approval	1,457.5	3
	Total at Second Pass Approval	<u>1,460.2</u>	
Jun 24	Exchange Variation	250.3	
Jun 24	Total Budget	<u>1,710.4</u>	

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

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Project Expenditure			
Prior to Jul 23	Contract Expenditure – FMS case AT-P-SCO	(54.9)	4
	Other Contract Payments / Internal Expenses	(3.2)	
		(58.1)	
FY to Jun 24	Contract Expenditure – FMS case AT-P-SCO	(158.3)	5
	Other Contract Payments / Internal Expenses	(2.1)	
		(160.4)	
Jun 24	Total Expenditure	(218.6)	
Jun 24	Remaining Budget	\$1,491.9	

Notes	
1	This amount reflects funding approval at pre Government Combined Pass Approval (Incl. Interim and Early access).
2	This amount reflects transfer of funds within the approved acquisition programs to Security and Estate group (ESTS9100) for facilities.
3	This amount reflects the funding approval at Government Combined Pass Approval.
4	Other Contract Payment/Internal Expenses comprise of: External Service Providers (\$2.9m), project administrative costs (\$0.3m).
5	Other Contract Payment/Internal Expenses comprise of: External Service Providers (\$1.8m), project administrative costs (\$0.3m) and Mission System (\$0.05m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
101.0	138.1	177.1	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : The variation is primarily due to higher than budgeted disbursement against FMS case AT-P-SCO. <u>PAES to Final Plan</u> : The variation is primarily due to higher than budgeted disbursement against FMS case AT-P-SCO.
Variance \$m	37.1	39.0	Total Variance (\$m): 76.1
Variance %	36.7	28.2	Total Variance (%): 75.3

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		-	Australian Industry	The variance is primarily driven by lower than budgeted disbursement against FMS case AT-P-SCO – the project saw lower than expected disbursements driven by later than anticipated spending profile against the aircraft production. Combined with lower than anticipated contractor related expenses and later than anticipated requirement for project office administration budget
		-	Foreign Industry	
		-	Early Processes	
		(0.7)	Defence Processes	
		(16.0)	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
177.1	160.4	(16.7)	Total Variance	
		(9.4)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
FMS Case AT-P-SCO	Mar 22	1,172	1,478.5	Reimbursement (for FMS)	FMS	1
Notes						
1	Price variation from Contract Signature is due to exchange rate variations. In 2022, the FMS case was amended to include one additional aircraft to remediate a fleet loss during operations in October 2021.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
FMS Case AT-P-SCO	12 MH-60R	13 MH-60R	FMS Case AT-P-SCO procuring the MH-60R capability and expanding support system.	1

Major equipment accepted and quantities to 30 Jun 24	
N/A	
Notes	
1	In 2022, the FMS case was amended to include one additional aircraft to remediate a fleet loss during operations in October 2021.

2.4 Australian Industry Capability

Summary	
<p>The project has no contracted Australian Industry Capability (AIC) targets for US Government FMS acquisition.</p> <p>Building upon the current support arrangements established under AIR9000 Phase 8, the expansion of the MH-60R fleet size under SEA9100 Phase 1 will drive further opportunities for Australian industry in sustainment with respect to aircraft deeper maintenance and component repair; program management and logistics support; engine maintenance; and new and refurbished facilities.</p>	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	MH-60R Helicopter	N/A	N/A	Jun 23	0	1
Preliminary Design	MH-60R Helicopter	N/A	N/A	Jun 23	0	1
Critical Design	MH-60R Helicopter	N/A	N/A	Sep 23	0	1
Notes						
1	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the USN due to being an FMS Case arrangement (FMS Case AT-P-SCO). The USN and Lockheed Martin Corporation (USN Prime Contractor) have contractual arrangements in place with each other that does include similar major reviews. The Commonwealth is not a party to these contractual arrangements. Commonwealth participation in these similar reviews has been allowed and has occurred but solely on a courtesy and non-contractual basis.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	MH-60R Helicopter	N/A	N/A	N/A	N/A	1
Acceptance	MH-60R Helicopter	N/A	N/A	N/A	N/A	1
Acceptance	Commonwealth acceptance of 13th and Final MH-60R Helicopter.	NFP	NFP	NFP	NFP	2, 3
Notes						
1	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the USN unique to the FMS Case arrangement under (FMS Case AT-P-SCO). Test and evaluation is conducted by the USN on behalf of the Commonwealth as a recognised Military Airworthiness Authority for assurance of Systems Integration and Acceptance.					
2	This is the date the 13th and final MH-60R is accepted from the USN by the Commonwealth. US Defence Department Form DD1149 (Requisition and Invoice/Shipping Document) provides the mechanism for formal acceptance and transfer of ownership.					
3	The explanatory note is not for publication.					

Project Data Summary Sheets

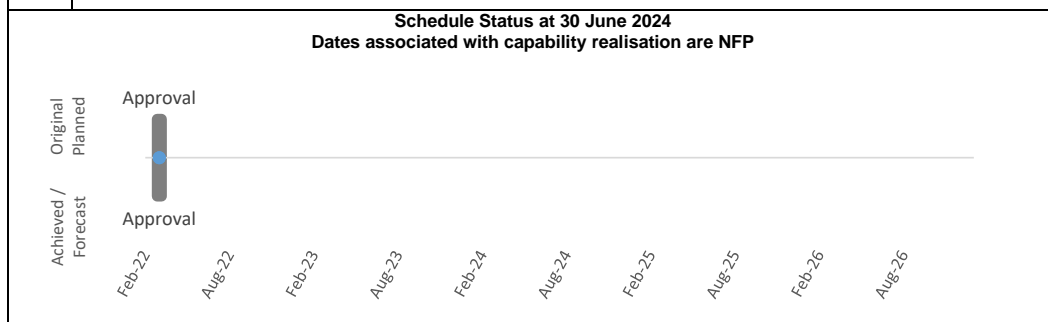
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1
Initial Operational Capability (IOC)	NFP	NFP	NFP	-
Final Materiel Release (FMR)	NFP	NFP	NFP	-
Final Operational Capability (FOC)	NFP	NFP	NFP	-

Notes

1 The information related to IMR is not for publication.



Note

Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance

	<p>Green: The project expects to meet the materiel capability requirements as expressed in the Materiel Acquisition Agreement and in accordance with the requirements of the Technical Regulatory Authorities.</p>
	<p>Amber: N/A</p>
	<p>Red: N/A</p>

Note

This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> Two aircraft delivered in-country (Australia) aligned with the contemporary ADF MH-60R Seahawk Romeo baseline, and Capacity within the logistics, training and operational support elements (including spares and support equipment) to enable sustainment of an additional aircraft deployed to an Australian ship. <p>Forecast dates for IMR are NFP.</p>	Not yet Achieved

Initial Operational Capability (IOC)	<ul style="list-style-type: none"> One additional MH-60R aircraft deployed at Sea with adequate personnel and logistics support to sustain Maritime Helicopter operations for 90 days. <p>Forecast dates for IOC are NFP.</p>	Not yet Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> 13 aircraft delivered in country (Australia) aligned with the contemporary ADF MH-60R Seahawk Romeo baseline. Capacity within the logistics, training and operational support elements (including spares, support equipment and role equipment) to enable sustainment of 6 additional aircraft deployed to Australian ships and ashore. Trade studies to review options for Crew Seating and Enhanced Crew Survivability. <p>Forecast dates for FMR are NFP.</p>	Not yet Achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> Six additional MH-60R aircraft available for Sea deployment with adequate personnel and logistics support to independently sustain Maritime Helicopter operations for 90 days each (which brings the total to 14 MH-60R Flights available for Sea deployment). Capacity to detach one additional aircraft with adequate personnel and logistics support to operate independently from the main operating base for no more than 30 days. Suitable and accepted facilities, for the expanded MH-60R fleet. <p>Forecast dates for FOC are NFP.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence Instructions and Capability Acquisition and Sustainment Group Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons Information contained within the Defence Lessons Repository (DLR). The project has captured three lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Project Governance Procurement Policy and reporting requirements are typically based on direct commercial / Australian Standard for Defence Contracting models, which can be difficult to interpret and apply within the constraints of an FMS context – Policy makers should keep FMS requirements in mind when creating procurement policy/reporting requirements.	Program, Projects & Product Management / Commercial Management
DLR Lesson Type – Observation. Project Governance - To better align the Defence Policy Statement to rapidly acquire Minimum Viable Product, when Government approve the procurement of MOTS or Commercial Off-The-Shelf systems, materiel assurance should be against the existing Product Specification. Function and	Program, Projects & Product Management / Commercial Management

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Performance Specifications / Requirements should be targeted if modifications are required or the FIC elements require specific detail.	
DLR Lesson Type – Observation. Communication / Relationships - Understanding International Government processes and cultural nuances is key to a successful outcome. An in-country project team has been proven essential to maximise communication effectiveness, optimise delivery and strengthen the United States and Australian strategic partnership. The enduring MH-60R Seahawk Romeo in-country team presence continues to enhance support outcomes, interoperability and interchangeability while providing influence as a trusted strategic partner, in the context of MH-60R Seahawk Romeo delivery and sustainment.	Program, Projects & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Joint Aviation Systems Division
Branch	Navy Aviation, Aircrew Training and Commons

Project Data Summary Sheet¹

Project Number	LAND19 Phase 7B
Project Name	SHORT RANGE GROUND BASED AIR DEFENCE
First Year Reported in the MPR	2020-21
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Feb 17
Government 2nd Pass Approval	Feb 19
Budget at 2nd Pass Approval	\$1,274.3m
Total Approved Budget (Current)	\$1,241.1m
2023–24 Budget	\$208.7m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

LAND19 Phase 7B Short Range Ground-Based Air Defence (SRGBAD) Project will introduce into service the Army-operated component of the Integrated Air and Missile Defence (IAMD) capability to achieve an enhanced ground-based force protection system.

The primary objective of the project are to deliver a scalable SRGBAD capability that can sense, warn, and counter weapons and sensor effects of fixed and rotary wing platforms, un-crewed aerial systems, stand-off weapons, rockets, artillery, mortars and missiles within the required environments.

The capability being acquired is an enhanced version of the jointly developed Raytheon-Kongsberg National Advanced Surface to Air Missile System (NASAMS), which is currently in service with a number of nations. The capability is being acquired through a contract with Raytheon Australia Pty Ltd. The sensors being acquired to support the capability are being provided by CEA Technologies Pty Ltd through an acquisition contract.

Two NASAMS Batteries are being acquired, each consisting of three Fire Units, with additional sub-systems for training purposes. A single Fire Unit consists of missile launchers, sensors, and a command & control centre; and is capable of protecting a specified area from a range of airborne threats. A single battery is capable of meeting the operational requirements, with the second battery being used for training purposes.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$200.8m against the FY 2023-24 budget of \$208.7m. The project Year End variance is due to less than phased Foreign Military Sales (FMS) disbursements related to the Advanced Medium Range Air-to-Air Missile (AMRAAM) FMS case.

Project Financial Assurance Statement

As at 30 June 2024, LAND19 Phase 7B has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has applied contingency in the financial year primarily for the treatment of Escalation issue Risk 2 in Section 5 – Major Risks and Issues.

Schedule Performance

The project achieved Initial Materiel Release (IMR) and Initial Operational Capability (IOC) in September 2023 and December 2023 respectively in accordance with the scheduled milestones detailed in the Materiel Acquisition Agreement (MAA).

The Raytheon Australia Pty Ltd acquisition contract is largely on schedule with all seven Fire Units being accepted by the project as at 30 June 2024. The final Fire Unit was accepted in June 2024; however, some remediation work is required, which is anticipated to be completed by December 2024. The Raytheon Australia Pty Ltd Final Acceptance milestone has been delayed due to some spares deliveries taking longer than expected. This delay will have nil operational impact on the capability or MAA milestones.

CEA Technologies Pty Ltd delivery of radars remains behind the contracted schedule. As at 30 June 2024, the project has accepted 50% of the contracted number of CEA Technologies Pty Ltd radars.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

Government Furnished Material (GFM) delays has resulted in the transfer of technical risk to later in the project; with some certification and integration work at risk of not being achieved until Final Operational Capability (FOC). These changes do not impact FOC but have been captured in a revised MAA version 3.1. FOC remains on schedule. Certification and introduction into service were the primary focus for the project throughout FY 2023-24. Certification development has been completed on schedule and training delivery to 16 Regiment (user unit) has commenced.
Material Capability/Scope Delivery Performance The project is on track to deliver against all agreed capability outcomes for FOC.
Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background LAND19 Phase 7B was one of the first projects to be considered under the new Capability Life Cycle and under the developmental Smart Buyer framework. The project participated in a pilot Smart Buyer workshop where the financial, capability requirements, integration and schedule risk elements were considered within the project's acquisition strategy, and addressed as part of the Risk Mitigation Activity (RMA) conducted between Government First Pass and Second Pass Approvals. Government First Pass Approval was provided in February 2017 that enabled the release of a Single Supplier Limited Tender to Raytheon Australia Pty Ltd as Prime Systems Integrator (PSI) for the acquisition and sustainment of the SRGBAD capability. First Pass Approval also endorsed the conduct of a RMA between First Pass and Second Pass to reduce technical risks associated with system integration and assess the environmental durability of key sub-systems. Additionally, First Pass Approval enabled a review of the Canberra-based company CEA Technologies Pty Ltd sensors for use in a ground-based air defence environment between First Pass and Second Pass Approval. Government in February 2019 provided Second Pass Approval for the preferred capability option presented, which was based on the NASAMS baseline but provides an enhanced capability, addressed obsolescence risks and utilised greater Australian Industry Capability (AIC). Significant procurement activities to date include: <ul style="list-style-type: none"> Contract signature achieved with Raytheon Australia Pty Ltd as PSI in June 2019. Contract signature achieved with CEA Technologies Pty Ltd for the provision of operational and tactical radars in November 2019. FMS offer for the purchase of missiles accepted by the Commonwealth in March 2020. Contract signature achieved with Raytheon Australia Pty Ltd as the Support Contractor in December 2020. Contract signature achieved with CEA Technologies Pty Ltd as the Support Contractor for the operational and tactical radars in May 2023.
Uniqueness NASAMS is an established and mature ground-based air defence capability; however, under LAND19 Phase 7B, Defence is undertaking a number of enhancements that make it unique. The most significant of these is replacing the standard NASAMS radar with radars from Australian company CEA Technologies Pty Ltd. Other modifications, which are not common across the international user base, include integration with Army in-service vehicles and radios, and interfacing with existing Land and Joint information networks.
Major Risks and Issues The project has: <ul style="list-style-type: none"> Retired major risk 'Delays to Identification Friend or Foe (IFF) Mode 5 Level 1 Certification for CEATAC, impacting achievement of IOC'. Reduced major risk 'Escalation costs will exceed the original budgeted amount' to low. The project currently has no major risks identified that require management.
Other Current Related Projects/Phases LAND121 Phase 4 - Protected Mobility Vehicle - Light (Hawkei). This project will acquire and deliver, Protected Mobility Vehicles – Light and companion trailers for command, liaison, reconnaissance and utility roles; and the associated training and support systems. Elements of LAND 19 Phase 7B tactical radar and high mobility launcher system will be integrated onto the Hawkei mission system. AIR6500 Phase 1 - Joint Air Battle Management Systems. This project will deliver a Joint Air Battle Management System comprised of a foundational systems architecture for the ADF's IAMD Program, command and control systems, and sensors that will be employed to develop situational awareness in the air and space domains, manage the joint air domain, coordinate fires, control air and ground-based air defence assets. LAND 19 Phase 7B is required to share air picture information with AIR6500 Phase 1 as part of the Joint IAMD. The project has achieved integration with AIR6500 via the Link 16 Tactical Data Link. LAND200 Tranche 2 - Battlefield Command Systems. This project seeks to expand and evolve the Battle Management System – Command and Control (BMS-C2) and supporting Tactical Communications Network from Battle Group to Brigade Headquarters. LAND200 Tranche 2 also enhances data interoperability and information exchange with other government agencies and Coalition partners by integrating the BMS-C2 onto the Mission Partner Environment. LAND19 Phase 7B is required to share indirect fire threat and friendly positional information with LAND200. The project has achieved integration with LAND200 Tranche 2 via the Variable Message Format Tactical Data Link.
Note Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

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Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
May 17	Original Approved: Government First Approval	25.9	
Jun 19	Government Second Pass Approval	1,248.4	
	Total at Second Pass Approval	1,274.3	
Jun 24	Exchange Variation	(33.2)	
Jun 24	Total Budget	1,241.1	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Raytheon Australia Pty Ltd	(622.3)	
	Contract Expenditure – CEA Technologies Pty Ltd	(153.0)	
	Contract Expenditure – US Government (AT-D-YAI)	-	1, 2
	Other Contract Payments / Internal Expenses	(46.7)	2
		(822.0)	
FY to Jun 24	Contract Expenditure – Raytheon Australia Pty Ltd	(167.9)	
	Contract Expenditure – CEA Technologies Pty Ltd	(18.1)	
	Contract Expenditure – US Government (AT-D-YAI)	-	1, 2
	Other Contract Payments / Internal Expenses	(14.9)	2
		(200.8)	
Jun 24	Total Expenditure	(1,022.8)	
Jun 24	Remaining Budget	218.3	
Notes			
1	Price and expenditure related to missile procurement is classified. This expenditure has been reported as part of Other Contract Payments/Internal Expenses.		
2	Other Contracts Payments/Internal Expenses comprises: RMAs, operating expenditure, contractors, consultants, and other capital expenditure not attributable to the aforementioned contracts.		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
190.1	226.1	208.7	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : The variation is primarily due to an increase in the contract escalation estimate, Contract payments and spares procurement and Project Office. <u>PAES to Final Plan</u> : The variation is due primarily to less than expected FMS disbursement and escalation and delivery delays for spares and CEA Technologies Pty Ltd milestones.
Variance \$m	36.0	(17.4)	Total Variance (\$m): 18.6
Variance %	18.9	(7.7)	Total Variance (%): 9.8

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		9.2	Australian Industry	The project Year End variance is due to less than phased FMS disbursements related to the Advanced Medium Range Air-to-Air Missile (AMRAAM) FMS case.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		(17.0)	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

208.7	200.8	(7.8)	Total Variance
		(3.8)	% Variance

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Raytheon Australia Pty Ltd	Jun 19	680.1	804.7	Firm or Fixed	Standard Defence Contract	1
CEA Technologies Pty Ltd	Nov 19	137.1	174.91	Firm or Fixed	Standard Defence Contract	2
US Government (AT-D-YAI)	Mar 20	-	-	Reimbursement (for FMS)	FMS	3
Notes						
1	Raytheon Australia Pty Ltd contract value as at 30 June 2024 is based on actual expenditure and remaining commitment, and includes adjustments for indexation (where applicable). The price increase since contract signature is primarily due to indexation and foreign exchange rate variation, the inclusion of spares into the contract and an increase due to COVID19 project delays, as noted in Section 3.2.					
2	CEA Technologies Pty Ltd contract value as at 30 June 2024 is based on actual expenditure and remaining commitment, and includes adjustments for indexation (where applicable). The price increase since contract signature is primarily due to indexation and foreign exchange rate variation (as per contract terms), plus the inclusion of spares into the contract.					
3	Pricing related to missile procurement is classified.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Raytheon Australia Pty Ltd	7	7	NASAMS Fire Units plus training equipment.	-
CEA Technologies Pty Ltd	Tactical Radars Operational Radars	Tactical Radars Operational Radars	Radars plus training and support equipment.	-
US Government (AT-D-YAI)	Classified	Classified	Missiles.	-
Major equipment accepted and quantities to 30 Jun 24				
2 x Operational Radars 2 x NASAMS Classroom Trainers 4 x Tactical Radars 7 x NASAMS Fire Units				
Notes				
N/A	N/A			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in Raytheon Australia Pty Ltd and CEA Technologies Pty Ltd's AIC Plans in support of their manufacturing, integration, assembling, test and certification of the capability and support services activities.
The project has no contracted AIC targets or an AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Capability.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	NASAMS	Oct 19	N/A	Oct 19	-	-
	CEA Technologies Pty Ltd Radars	Apr 20	N/A	Apr 20	-	-
Preliminary Design	NASAMS	May 20	N/A	May 20	-	1
Detailed Design	NASAMS	Dec 20	N/A	Dec 20	-	-
	CEA Technologies Pty Ltd Radars	Jul 21	N/A	Aug 21	1	-

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Notes	
1	Preliminary Design aspects for CEA Technologies Pty Ltd Radars were covered in the NASAMS Preliminary Design Review.

3.2 Contractor Test and Evaluation Progress

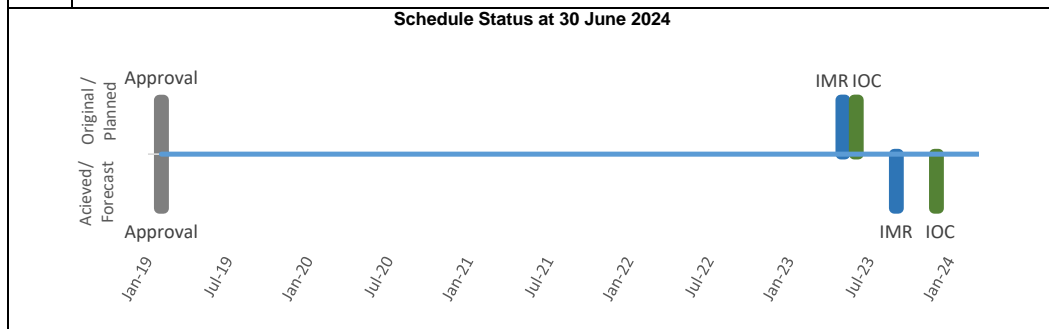
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	First of Type (FoT) Canister Launcher FAT	Jan 22	Nov 21	Nov 21	(2)	1
	FoT Fire Distribution Centre FAT	Apr 22	Aug 22	Nov 22	7	2
	Flight Trial	Jun 22	Apr 23	Apr 23	10	2
Acceptance (NASAMS Fire Units)	Fire Unit 1 (First)	Mar 23	NFP	NFP	NFP	2, 3
	Fire Unit 7 (Final)	May 24	N/A	NFP	NFP	-
Acceptance (CEA Technologies Pty Ltd Radars)	Tactical Radar (First)	Mar 23	N/A	NFP	NFP	-
	Tactical Radar (Final)	Jun 24	NFP	NFP	NFP	4
	Operational Radar (First)	Mar 23	N/A	NFP	NFP	-
	Operational Radar (Final)	Apr 24	NFP	NFP	NFP	4

Notes	
1	This milestone was achieved early because the exit criteria was modified to allow completion in Norway, with subsequent shipment to Australia. This shipment commenced in April 2022.
2	This milestone was adjusted as a result of COVID-19 related delays, including workforce quarantine measures and travel restrictions.
3	Fire Unit composition varies per Fire Unit (i.e. number and type of launchers and other major systems).
4	Milestone was adjusted as a result of CEA Technologies Pty Ltd notification of delays.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	May 23	Sep 23	4	1
Initial Operational Capability (IOC)	Jun 23	Dec 23	6	1
Final Materiel Release (FMR)	NFP	NFP	NFP	-
Final Operational Capability (FOC)	NFP	NFP	NFP	-




1	COVID-19 had a significant impact on the project, including international travel restrictions, GFM delays, and workforce quarantine measures. In October 2021, the project assessed the original IMR date in light of the cumulative impact of the above delays, and determined a revised date. Both IMR and IOC were achieved.
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Note	
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
 <p>100%</p>	<p>Green: The project expects to meet capability requirements as expressed in the MAA.</p>
 <p>0%</p>	<p>Amber: N/A</p>
 <p>0%</p>	<p>Red: N/A</p>
Note	
<p>This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> • Fire Unit with Tactical Radar. • Classroom Trainer installed. • Basic Support Equipment. • Initial Spares. • Systems accepted and certified. • Support Contract in operation. <p>IMR was achieved in September 2023.</p>	Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> • One operationally deployable Fire Unit. • Vehicles to support Fire Unit. • Operator and maintainer training. • Completion of Operational Test & Evaluation. <p>IOC was achieved in December 2023.</p>	Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> • All Fire Units. • All Radars. • All spares and support equipment. <p>Forecast dates for FMR are NFP.</p>	Not yet Achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> • Complete mission system comprising all materiel elements defined in IMR and FMR. • Doctrine published. • All certification and accreditation complete. • Facilities complete. <p>Forecast dates for FOC are NFP.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that IFF Certification will be delayed, with a corresponding delay to IOC.	Re-testing is expected to be completed by IMR, with certification to be achieved by IOC. IFF Certification was achieved in December 2023. This risk is now retired.
2	There is a risk that escalation costs will exceed the original budgeted amount by significant levels, leading to lack of funds available to pay adjusted contract milestone payments. This has been caused by higher than expected inflation levels.	The project sought contingency funding to cover the shortfall. This risk has been reduced to Low.

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5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and Capability Acquisition and Sustainment Group Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured four lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Mandated System Reviews (MSR) in large projects can cover many complex issues, over several days. They require review of large amounts of data in advance. Lead-in reviews are a great way to focus attention of relevant stakeholders on particular issues. They can be conducted months in advance of the MSR. A lead-in review is a separate meeting or workshop held to discuss a particular MSR agenda item. They can often be used to gain concurrence on a particular issue, thereby saving time in the MSR, and giving stakeholders a chance to consider. They also help focus reviewers on key issues prior to the MSR. Conduct lead-in reviews as a standard part of preparation for large MSR.	Commercial Management
DLR Lesson Type – Observation. RMAs or Risk Reduction Activities are often completed during First Pass to Second Pass, usually to investigate technical feasibility or capability definition. Extending these activities to include formal requirements development and system definition can place the project in a much more mature state at Contract Signature. Contracts can sometimes be established with immature requirements, and requirements definition completed post effective-date may result in cost, schedule or capability adjustments post-Second Pass. By focusing on system specification refinement between First Pass to Second Pass, this risk can be mitigated. Include formal and funded system definition activities between First Pass and Second Pass.	Program, Project & Product Management
DLR Lesson Type – Observation. Project with Explosive Ordnance will need to conduct a Live Fire activity as part of their Verification and Validation regimen. Live Fire events also provides a proof of concept to build confidence with key stakeholders. Army successfully completed its first NASAMS Live Fire at Woomera Test Range in November 2023. This lesson learnt provides information to projects requiring to establish a Live Fire event; including friction points identified by the project in coordinating and conducting the event.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems Division
Branch	Land Manoeuvre Systems Branch

Project Data Summary Sheet¹

Project Number	LAND121 Phase 3B
Project Name	MEDIUM HEAVY CAPABILITY, FIELD VEHICLES, MODULES AND TRAILERS
First Year Reported in the MPR	2013-14
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Jun 04 – Phase 3 Dec 11 – Phase 3B
Government 2nd Pass Approval	Aug 07 – Phase 3 Jul 13 – Phase 3B
Budget at 2nd Pass Approval	\$2,549.2m (Budget split from Phase 3) \$3,284.8m (Revised Second Pass Approval)
Total Approved Budget (Current)	\$2,862.9m
2023–24 Budget	\$24.8m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND121 Phase 3 was established to replace the current fleet of Australian Defence Force (ADF) Field Vehicles, Modules and Trailers (FVM&T) and will enhance the ground mobility of the ADF.

In December 2011, Government approved the splitting of LAND121 Phase 3 into two projects:

- LAND121 Phase 3A – Lightweight and Light Capability (LLC), incorporating the approved Phase 5A.
- LAND121 Phase 3B – Medium and Heavy Capability (MHC).

LAND121 Phase 3B has upgraded and replaced the existing medium and heavy vehicle and trailer fleet. Vehicles (protected and unprotected) consisting of nine variants, introduced by the project including cargo, tractor, recovery and tanker functions. 10 trailer variants for general cargo, equipment transport, and tanker capability have been acquired. Fleet flexibility is supplemented by flatracks and modules that permit the rapid deployment of stores (including maintenance and combat engineering), fuel and water tankers and specialist bridging capabilities.

The following vehicles, trailers and modules were acquired:

- 2,536 x MHC vehicle and 3,054 x module (including 55 x Command Post Heavy (CPH) modules) supplied by Rheinmetall MAN Military Vehicles Australia Pty Ltd.
- 1,582 x trailers from Haulmark Trailer (Australia) Pty Ltd.
- 122 x Geländewagen (G-Wagon) acquired by LAND121 Phase 3A upgraded to Lightweight and Light General Maintenance Vehicle variants by Mercedes-Benz Australia/Pacific Pty Ltd and associated trailers supplied by Haulmark Trailers (Australia) Pty Ltd.
- 49 x in-service Bushmaster Protected Mobility Vehicle upgraded to customised General Maintenance Vehicle variants and associated trailers.
- 18 x Line Laying Module acquired by LAND121 Phase 3A.
- 664 x specialist module are to be acquired additionally.
- 170 x Personnel Restraint Module (PRM) from United Rentals Australia Pty Ltd.
- 494 x Modules Gun Ammunition (MHGA) and Modules Gun Stores (MHGS) from ECLIPS Pty Ltd.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$24.8m against the FY 2023-24 budget of \$24.8m.

Project Financial Assurance Statement

As at 30 June 2024 all LAND121 Phase 3B remaining scope and funding has been transferred out of the project into LAND121 Phase 5B.

Contingency Statement

The project has not applied, or utilised contingency in FY 2023-24. Contingency for LAND121 Phase 3B has been transferred to LAND121 Phase 5B.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<p>Schedule Performance</p> <p>Phase 3B has progressed through the design phases for all Rheinmetall MAN Military Vehicles Australia Pty Ltd contracted vehicles, modules and Haulmark Trailers (Australia) Pty Ltd trailers.</p> <p>The project achieved the Initial Materiel Release (IMR) milestone in November 2018, ahead of the scheduled date of December 2018 and achieved Initial Operational Capability (IOC) with a caveat on vehicle air certification, by the originally planned date of December 2019. Rheinmetall MAN Military Vehicles Australia Pty Ltd was requested by Air Movements Training and Development Unit (AMTDU) to provide additional technical data to inform air certification clearance. This issue is being closely managed by Capability Acquisition and Sustainment Group (CASG) and the Capability Manager.</p> <p>In the 2021-22 PDSS, the project reported potential delays to the Final Materiel Release (FMR) and Final Operational Capability (FOC) milestones from COVID-19 impacts in meeting the Directed Training Requirement (DTR); the outstanding work to achieve air certification; and, the time required to finalise the user requirements and deliver the remaining specialist modules. While these delays were realised the vast majority of the Project's requirements were delivered on time and on budget. This includes 2,707 trucks (complete), 1,753 trailers (complete), 3,139 modules and flatracks, and a comprehensive support system. The PRM System Integration, Acceptance Test and Evaluation (AT&E) originally contracted for November 2023, is now forecast to be achieved in September 2024, a ten month variance.</p> <p>On 6 December 2023 Army endorsed the LAND121 Phase 3B achievement of FMR with caveats. Subsequently, on 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone, with caveats.</p>
<p>Material Capability/Scope Delivery Performance</p> <p>As described in the Schedule Performance above, the project achieved IOC with a caveat on air certification and FOC with caveats. As at 30 June 2024:</p> <ul style="list-style-type: none"> Rheinmetall MAN Military Vehicles Australia Pty Ltd delivered 2,536 of 2,536 vehicles and 2,999 of 3,054 modules. Haulmark Trailers (Australia) Pty Ltd has delivered 1,582 of 1,582 MHC companion trailers and 122 light/lightweight General Maintenance Module (GMM) companion trailers acquired by LAND121 Phase 3A. Mercedes-Benz Australia/Pacific Pty Ltd has delivered 122 of 122 GMM. Thales has upgraded 49 of 49 in-service Bushmaster Protected Mobility Vehicles to customised General Maintenance Vehicle variants along with associated trailers. 18 Line Laying Modules have been acquired by LAND121 Phase 3A. A contract was signed with United Rentals Australia Pty Ltd, for the delivery of 170 PRM modules in December 2021. A contract was signed with ECLIPS Pty Ltd, for the delivery of 450 MHGA and 44 MHGS modules on 29 May 2023.
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>Project LAND121 is a multi-phased project to provide the ADF with the FVM&T and associated support systems to meet ADF mobility requirements including logistic distribution, command and liaison, casualty evacuation, troop lift, and the provision of mobility for specialist assets such as command shelters and communications terminals.</p> <p>In August 2007, LAND121 Phase 3 was approved to acquire 1,187 Mercedes-Benz G-Wagons, and 973 matching trailers from Haulmark Trailers (Australia) Pty Ltd. In August 2011, Government approved the acquisition of an additional 959 G-Wagons and 826 trailers under LAND121 Phase 5A.</p> <p>Phase 3 was also intended to acquire medium and heavy FVM&T; however, the Commonwealth withdrew from negotiations with the preferred tenderer, and a tender resubmission process was initiated in December 2008. In December 2011, Defence announced negotiations would commence with the preferred tenderers, Rheinmetall MAN Military Vehicles Australia Pty Ltd for the MHC vehicle and module requirements and with Haulmark Trailers (Australia) Pty Ltd for the MHC trailer requirements.</p> <p>Concurrently, Government approved the splitting of LAND121 Phase 3 into two projects: LAND121 Phase 3A for the LLC approved under Phase 3 and amalgamating this with the additional scope approved under Phase 5A; and LAND121 Phase 3B to progress the Phase 3 MHC scope elements. This decision effectively closed Phase 3 and amounted to a combined pass approval for the new Phase 3A and an 'interim pass' approval for the new Phase 3B. The December 2011 approval allowed the continuation of contracted activities toward the LLC acquisition and the ongoing negotiations for the MHC contracts for Phase 3B. Phase 3B was required to seek a supplementary second pass approval following contract negotiations.</p> <p>Phase 3A LLC Contract Amendments were executed in January 2012 and Phase 3B achieved second pass approval in July 2013 with contracts executed shortly after.</p> <p>On 6 December 2023 Army endorsed the LAND121 Phase 3B achievement of FMR with caveats. Subsequently, on 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone, with caveats.</p>
<p>Uniqueness</p> <p>LAND121 Phase 3B has delivered the FVM&T capability to multiple locations throughout Australia and on operational service overseas. This presented a unique logistic challenge in having a robust support system that achieves stated availability requirements for the lowest life cycle cost.</p>
<p>Major Risks and Issues</p> <p>The project was managing the following emergent risks:</p> <ul style="list-style-type: none"> MHGA/MHGS, PRM and CPH delivery delays. Inability to delivery a suitable solution for the MHGA and MHGS that meets the technical requirements. <p>The project was managing the following major issues:</p> <ul style="list-style-type: none"> Inadequate contractor/supplier resourcing.

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<ul style="list-style-type: none"> On 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone, with caveats
<p>Other Current Related Projects/Phases</p> <p>LAND121 is a multi-phased project providing the ADF with current-generation high-capability FVM&T.</p> <p>Other LAND121 projects are:</p> <p>LAND121 Phase 4 - Protected Mobility Vehicle - Light (Hawkei). Will acquire and deliver into service 1,098 Protected Mobility Vehicles – Light (PMV-L) and 1,058 associated trailers. The PMV-L will perform command, reconnaissance, liaison and utility roles.</p> <p>LAND121 Phase 5B - Medium and Heavy Capability within the Non-Combat Vehicles Program. Approved in June 2018, will acquire and deliver into service an additional (to Phase 3B) 1,044 vehicles with 872 modules and 812 trailers.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 11	Original Approval (Prior to budget split of 3A and 3B)	3,237.7	1
Jun 12	Exchange Variation	(66.5)	
	Budget as of 30 June 2012	3,171.2	
Jul 12	Real Variation – Scope (Funds retained by 3A)	(622.0)	2
	Original Approved (Phase 3B budget split from Phase 3)	2,549.2	
Jul 12	Exchange Variation to opening budget	23.3	3
Jul 13	Real Variation – Scope	7.0	4,11
Jul 13	Real Variation – Scope	21.0	5,11
Jul 13	Real Variation – Project Supplementation	684.2	6,11
	Total at Second Pass Approval (Revised)	3,284.8	
Nov 18	Real Variation – Budgetary Adjustment	(30.0)	7
Apr 24	Real Variation – Budgetary Adjustment	(536.9)	10
		2717.9	
Jun 24	Exchange Variation	144.9	
Jun 24	Total Budget	2,862.9	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	(2,076.5)	
	Contract Expenditure – Haulmark Trailers (Australia) Pty Ltd (Acquisition)	(472.5)	
	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	(15.5)	
	Contract Expenditure – United Rentals Australia Pty Ltd (Acquisition)	(4.5)	
	Contract Expenditure – ECLIPS Pty Ltd (Acquisition)	(0.2)	
	Other Contract Payments / Internal Expenses	(268.9)	8
		(2,838.1)	
FY to Jun 24	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	(10.9)	
	Contract Expenditure – ECLIPS Pty Ltd (Acquisition)	(5.7)	
	Other Contract Payments / Internal Expenses	(4.5)	9
	Contract Expenditure – United Rentals Australia Pty Ltd (Acquisition)	(3.7)	
	Contract Expenditure – Haulmark Trailers (Australia) Pty Ltd (Acquisition)	(0.1)	
		(24.8)	
Jun 24	Total Expenditure	(2862.9)	
Jun 24	Remaining Budget	0.0	

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

Notes	
1	LAND121 Phase 3 project budget prior to the split into Phase 3A and Phase 3B.
2	Retention of Light Capability scope by LAND121 Phase 3A.
3	Update of exchange rates from approval to 2012-13 Portfolio Budget Statements (PBS) rates.
4	Transfer of funds from LAND116 Phase 3 for acquisition of trailers.
5	Transfer of funds from JP2059 Phase 2 Bulk Liquid Distribution for acquisition of some vehicles and associated equipment to facilitate fuel and water transportation.
6	Provision for general program supplementation associated with easing cost pressures identified during scoping for project approval, as per revised second pass approval.
7	Budget Adjustment of \$30.0m was approved by Government in November 2018. The \$30.0m adjustment from LAND121 Phase 3B will be returned to the budget of LAND121 Phase 5B in 2023-24. LAND121 Phase 5B relates to the acquisition and delivery into service of an additional 1,044 vehicles, 872 modules and 812 trailers. LAND121 Phase 3B and LAND121 Phase 5B are managed by the same project team at Defence.
8	Other Contract Payments/Internal Expenses comprise of: (\$87.8m) for other project office costs not associated with the prime contracts, (\$81.1m) for salaries, (\$64.1m) for the acquisition of G-Wagons by LAND121 Phase 3A on behalf of LAND121 Phase 3B, and (\$22.3m) for the Protected Mobility Vehicle. An adjustment of \$13.7m was required due to the transition back to accrual accounting from a cash methodology in FY 2019-20.
9	Other Contract Payments/Internal Expenses comprise of: (\$3.8m) for Major Service Providers and (\$0.7m) for other project office costs not associated with prime contracts.
10	This value is inclusive of the transfer of the total LAND121 Phase 3B contingency (\$408.3) to LAND121 Phase 5B.
11	Variation date added. This is to correct the omission of the variation date in the 2022-23 MPR.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
24.6	29.5	24.8	<p><u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u>: This increase is primarily due to reprogramming of funding for future Contract Change proposals (CCP) from FY2024-25 into FY2023-24.</p> <p><u>PAES to Final Plan</u>: The decrease is primarily due to re-programming of the Critical Design Review for the Automated Load Handling System (\$2.2m) to FY24/25 along with future CCP costs associated with the Tyre Changing Station (\$0.5m) to FY24/25 and PRM (\$2.0m) to FY25/26.</p>
Variance \$m	4.9	(4.7)	Total Variance (\$m): 0.2
Variance %	19.8	(15.9)	Total Variance (%): 0.8

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		-	Australian Industry	Nil variation
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
24.8	24.8	0.0	Total Variance	
		0.1	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	Jul 13	1,585.9	2,087.4	Variable	Standard Defence Contract	1, 2, 3, 6
Haulmark Trailers (Australia) Pty Ltd (Acquisition)	Jul 13	397.7	472.6	Variable	Standard Defence Contract	1, 2, 3, 6
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	Jul 13	32.3	15.5	Variable	Standard Defence Contract	1, 2, 4
United Rentals Australia Pty Ltd	Dec 21	29.9	8.2	Variable	Standard Defence Contract	3, 6

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ECLIPS Pty Ltd	May 23	19.7	5.9	Variable	Standard Defence Contract	3, 5, 6
Notes						
1	Additional vehicles and trailers, worth \$28.3m and \$4.7m respectively, were funded and procured by LAND121 Phase 3A, on behalf of the LAND121 Phase 3B project.					
2	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024, and includes adjustments for indexation (where applicable).					
3	Price at 30 June 2024 varies from Price at Signature due to contracted price escalation, and contract changes related to in-scope capability and support.					
4	As of 1 July 2020, the Support Contract which has previously been managed by LAND121 Phase 3B has transitioned to Commercial and General Service Vehicle Systems Program Office (CGSVSPO) under CA16 fleet.					
5	The contract is for the replacement of the existing ADF set of stores and ammunition modules with two modules that will form part of the Army's artillery capability and integrate for use with the LAND121 Phase 3B MHC Vehicle and Trailer fleet.					
6	The price at 30 June 2024 value consists of all expenditure to date. Any remaining contract value has been transferred out of scope to LAND121 Phase 5B.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	2,536	2,536	MHC vehicles with associated modules	1
Haulmark Trailers (Australia) Pty Ltd (Acquisition)	1,582	1,582	MHC trailers	1
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	N/A	N/A	MHC Support Contract for vehicles and modules	2
United Rentals Australia Pty Ltd	170	170	Personnel Restraint Module	3
ECLIPS Pty Ltd	494	494	Gun Stores and Ammunition Modules	4

Major equipment accepted and quantities to 30 Jun 24

As at 30 June 2024 Rheinmetall MAN Military Vehicles Australia Pty Ltd has delivered 2,536 of 2,536 of the following vehicles:

- Mediumweight Tray: all deliveries completed.
- Mediumweight Tray with Crane: all deliveries completed.
- Mediumweight Tipper (dump): all deliveries completed.
- Heavy Integrated Load Handling (ILH): all deliveries completed.
- Heavy Tipper: all deliveries completed.
- Heavy Tractor: all deliveries completed.
- Medium Recovery: all deliveries completed.
- Heavy Recovery: all deliveries completed.
- Heavy Tanker: all deliveries completed.

2,999 of 3,054 of the following modules:

- Flatracks: all deliveries completed.
- Bridge Boat Interface: all deliveries completed.
- Mediumweight Combat Engineer Section Stores: all deliveries completed.
- Mediumweight Maintenance: all deliveries completed.
- Mediumweight Stores: all deliveries completed.
- Heavy Stores: all deliveries completed.
- Heavy Bulk Fuel Pump and Storage: all deliveries completed.
- Heavy Bulk Fuel Storage: all deliveries completed.
- Heavy Bulk Water Pump and Storage: all deliveries completed.
- Heavy Bulk Water Storage: all deliveries completed.
- CPH Module: delivery not yet commenced.

As at 30 June 2024 Haulmark Trailers (Australia) Pty Ltd has delivered 1,582 of 1,582 of the following matched trailers:

- Mediumweight Cargo trailers: all deliveries completed.
- Heavy ILH trailers: all deliveries completed.
- Heavy Equipment Trailers: all deliveries completed.
- Medium Equipment Transporters: all deliveries completed.
- Heavy Bulk Fuel Tankers: all deliveries completed.
- Heavy Equipment Transporters: all deliveries completed.
- Dolly Low Loaders: all deliveries completed.
- Heavy Cargo trailers: all deliveries completed.
- Heavy Bulk Water Tankers: all deliveries completed.
- Dolly Road Trains: all deliveries completed.

As at 30 June 2024, United Rentals Australia Pty Ltd has delivered none of the 170 of the PRM.

As at 30 June 2024, ECLIPS Pty Ltd has delivered none of the 494 of the MHGA/MHGS.	
Notes	
1	The quantity figures being communicated publicly excludes vehicle and trailer prototypes.
2	As of 1 July 2020, the Support Contract which has previously been managed by LAND121 Phase 3B has transitioned to CGSVSPO under CA16 fleet.
3	CCP002 was executed implementing a new baseline as a result of the Detailed Design Review process eliminating non-significant inclusions.
4	The contract is for the replacement of the existing ADF set of stores and ammunition modules with two modules that will form part of the Army's artillery capability and integrate for use with the LAND121 Phase 3B MHC Vehicle and Trailer fleet.

2.4 Australian Industry Capability

Summary	
<p>The project has contracted Australian Industry Capability (AIC) targets based on, where appropriate, to identify Local Industry Capability which is captured in Rheinmetall MAN Military Vehicles Australia Pty Ltd, Haulmark Trailers (Australia) Pty Ltd, and United Rentals Australia Pty Ltd's AIC Plans in support of their relevant design, development and production of specific hardware, sub-systems and components, project management, systems integration, and test and evaluation activities.</p> <p>The project has no contracted AIC targets for ECLIPS Pty Ltd due to the low complexity of the procurement, although ECLIPS Pty Ltd has an Australian Industry Activity schedule.</p>	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Preliminary Design	Vehicles	Dec 14	Aug 15	Dec 15	12	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Aug 14	Feb 15	Mar 15	7	1, 2
	Trailers	Jun 16	Jan 17	Jan 17	7	1, 3
	Personnel Restraint Module	Oct 22	Mar 23	Apr 23	6	4
	MHGA/MHGS	Nov 23	Nov 23	Oct 23	(1)	-
Detailed Design	Vehicles	May 15	Sep 16	Jun 17	25	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Nov 14	Jun 15	Mar 16	16	1, 2
	Trailers	Jan 17	Jul 17	Jun 17	5	1, 3
	Personnel Restraint Module	Jan 24	Nov 23	Jun 24	5	5, 6
	MHGA/MHGS	Mar 24	Mar 24	Feb 24	(1)	-
Critical Design	Vehicles	Aug 15	Jan 17	Dec 17	28	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Mar 15	Nov 15	Sep 16	18	1, 2
Notes						
1	All dates represent the approval of the exit for the reviews of the last vehicle, module and trailer variants. All vehicles, contracted modules and trailers have now completed preliminary, detailed and critical design review processes.					
2	Vehicle and module variance is due to two re-plans. The first was due to major delays in finalisation of contracts between the prime contractor and its subcontractors. The second was an adjustment to the schedule by the contractor in order to reduce production risks by concentrating on the most mature vehicle variants and slower ramping up of Protected Vehicles.					
3	Trailer variance is due to a change in scope by the Commonwealth of Australia to Group C Trailers.					
4	The Preliminary Design Review (PDR) was conducted in March 2023 and exited in April 2023. The variance to PDR was as a consequence of significant changes to the System Specification, which resulted in delays in exiting the System Definition Review.					
5	Original/contracted date had a logic error. A contract change was executed in November 2022 to correct the logic and update the contracted date.					
6	The Detailed Design Review (DDR) was conducted in November 2023 and exited in June 2024. The variance to the contracted date was due to the requirement for United Rentals to provide further Finite Element Analysis on the Roll Over Protection System to enable the closure of the major action item and the subsequent exiting of the DDR.					

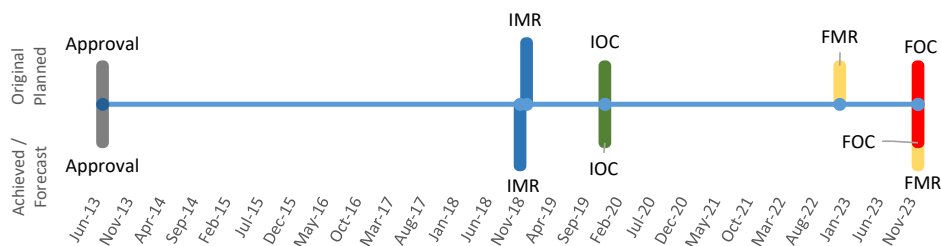
3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
AT&E	Vehicles	Jul 16	Aug 18	Aug 24	97	1, 2, 3, 4, 7, 11
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Nov 15	Jun 17	Jun 21	67	1, 2, 3, 4, 5, 7
	Trailers	Sep 17	May 18	Jun 18	9	1, 6
	Personnel Restraint Module	Nov 23	Sep 24	Sep 24	10	1, 8, 9, 11
	MHGA/MHGS	NFP	NFP	NFP	NFP	1, 10, 11
Notes						
1	All dates represent the approval of the Acceptance Verification Reports (AVRs) for the tests of the last vehicle, module and trailer variant.					
2	Delays by Rheinmetall MAN Military Vehicles Australia Pty Ltd to secure its subcontractor impacted the completion of verification.					
3	Senior management attention (Defence and the Rheinmetall MAN Military Vehicles Australia Pty Ltd board) was expected to improve the schedule performance for completion of AT&E.					
4	Current planned date changes to Vehicles and Modules were in accordance with CCP 064 signed 15 July 2016.					
5	A CCP in accordance with CCP117 signed 13 July 2017 was executed to address an additional nine-month variance associated with Rheinmetall MAN Military Vehicles Australia Pty Ltd sub-contractor, Holmwood Highgate (Aust.) Pty Ltd delay in progressing the Liquid Module Program.					
6	Current planned date changes are in accordance with Group C Integrated Baseline Review (June 2016) outcomes and agreements.					
7	The explanatory note is not for publication.					
8	Original/contracted date had a logic error. A contract change was executed in November 2022 to correct the logic and update the contracted date.					
9	The duration of Verification and Validation activities are planned to be completed in September 2024 in accordance with CCP002 due to the delayed exit of DDR.					
10	The MHGA/MHGS AT&E activity delay is the result of the availability of the Commonwealth test facilities.					
11	These capabilities have been transferred to LAND121 Phase 5B.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Dec 18	Nov 18	(1)	1
Initial Operational Capability (IOC)	Dec 19	Dec 19	0	2
Final Materiel Release (FMR)	Dec 22	Dec 23	12	3
Final Operational Capability (FOC)	Dec 23	Dec 23	0	4
Notes				
1	IMR was achieved one month earlier than forecast due to all elements of IMR being satisfied and agreed with the Capability Manager in November 2018.			
2	IOC was declared with air certification caveat on 12 December 2019.			
3	FMR achievement was delayed by 12 months due to the additional time required to finalise the user requirements and delivery of the specialist modules, the ongoing work required to achieve air certification and the impact of COVID-19 on the DTR schedule.			
4	FOC was declared with caveats on 18 December 2023.			


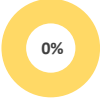

Schedule Status at 30 June 2024



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
 <p>89%</p>	<p>Green: The project is currently meeting materiel capability requirements as expressed in the Materiel Acquisition Agreements (MAA) and in accordance with the requirements of the relevant Technical Regulatory Authorities.</p>
 <p>0%</p>	<p>Amber: N/A</p>
 <p>11%</p>	<p>Red: FOC was declared with Caveats, transferring the remaining scope (five caveats) and deliverables to LAND121 Phase 5B.</p>
Note	
<p>This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	IMR requires the following to be delivered: 659 medium and heavy vehicles, 436 modules, 57 trailers, sufficient training for operators and maintainers to support Army's introduction into service plan and adequate logistic support arrangements. Achieved in November 2018.	Achieved
Initial Operational Capability (IOC)	IOC requires the following to be delivered: Based on a Battle Group, which is approximately 100 vehicles, deployed on a Major Defence Training activity (Exercise TALISMAN SABRE or equivalent). IOC was declared by Chief of Army in December 2019 with an air certification caveat.	Achieved with an air certification caveat
Final Materiel Release (FMR)	FMR requires the following to be delivered: 2,707 medium and heavy vehicles, 3,858 modules and 1,753 trailers, achieve the DTR across the entire MHC for operators and maintainers and logistic support arrangements. On 6 December 2023, Army endorsed the LAND121 Phase 3B achievement of FMR with caveats. The Project has delivered the vast majority of the Project's requirements on time and on budget. This includes 2,707 of 2707 trucks (complete), 1,753 of 1753 trailers (complete), 3139 of 3858 modules and flatracks, and a comprehensive support system.	Achieved with Caveats
Final Operational Capability (FOC)	FOC requires the following to be delivered: Complete delivery of 2,707 vehicles, 1,753 trailers and 3,858 modules, acceptance and Introduction Into Service to meet Chief of Army Preparedness Directive requirement to deploy and support a Multi Role Combat Brigade and concurrent Battle Group on operations. On 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone with caveats. This includes the delivery of 2,707 of 2707 trucks (complete), 1,753 of 1753 trailers (complete), 3139 of 3858 modules and flatracks, and a comprehensive support system.	Achieved with Caveats

Project Data Summary Sheets

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Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	MHGA/MHGS, PRM and CPH delivery delays. There is a risk that a combination of technical complexity, contractual complexity, and certification requirements will delay the delivery of modules past the agreed date. That date is FMR and FOC under MAA version 2.2.	Initially rated as Very High due to the expected time to undertake procurement activities was outside the project FOC milestone timeline. Subsequently, the risk has been managed and downgraded to Medium. On 6 December 2023, Army endorsed the LAND121 Phase 3B achievement of FMR with caveats. Subsequently, on 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone, with caveats. This risk will be removed at the next Major Projects Report (MPR).
2	Inability to deliver a suitable solution for the MHGA and MHGS that meets the technical requirements	Initially rated as High due to the incomplete description of requirement, the inability to release the tender for the MHGA/MHGS and the perceived immaturity of the market to deliver a suitable solution. Subsequently, the risk has been downgraded to low as the tender was released, contract awarded and the design process is progressing in accordance with the contracted requirement. This risk will be removed at the next MPR.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	This risk is not for publication.	
2	Inadequate contractor/supplier resourcing. Contractors' deliverables may be impacted by their inability to provide sufficient workforce to meet contracted requirements.	A risk was identified and created in March 2023. Contractors' workforce limitation can lead to delays in delivery of capability and design milestones. The project office is regularly monitoring the contractors' resourcing capacity and working collaboratively to prioritise outstanding activities. The risk has been re-assessed and is now downgraded and managed as a medium issue, and will be removed at the next MPR.
3	On 18 December 2023, Army declared the LAND121 Phase 3B FOC milestone, with caveats.	This remedial action is not for publication.

Note		
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.		

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 17 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Durability testing of Commercial Off The Shelf (COTS) equipment early in the project life-cycle (pre-PDR) helped mitigate project risk through early identification of defects and hardening of equipment. Rigorous testing of COTS equipment early in the project life-cycle is encouraged.	Engineering & Technical
DLR Lesson Type – Observation. Projects of this size and scale will often have numerous dependent projects, many of which will rely on the bigger project running to schedule. The number of requests for information from numerous stakeholder groups sometimes requires prioritisation in order to remain focused on project priorities. This needs careful management to ensure wider Defence priorities and objectives are achieved/supported.	Program, Project & Product Management
DLR Lesson Type – Observation. The importance of the Integrated Logistics Support (ILS) discipline cannot be underestimated. ILS involvement and input is recommended to be considered from the establishment of the project and contract establishment and implementation. Emphasis on ILS together with engineering and project management involvement in Major Systems Reviews and the design process is critical in ensuring that ILS products can adequately support the delivery of the capability.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems
Branch	Land Vehicle Systems

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Project Data Summary Sheet¹

Project Number	LAND121 Phase 4
Project Name	PROTECTED MOBILITY VEHICLES LIGHT
First Year Reported in the MPR	2016-17
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Oct 08
Government 2nd Pass Approval	Aug 15
Budget at 2nd Pass Approval	\$1,944.9m
Total Approved Budget (Current)	\$1,976.0m
2023–24 Budget	\$36.3m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND121 Phase 4 will acquire and deliver into service 1,098 Protected Mobility Vehicles – Light (PMV-L) and 1,058 companion trailers for command, liaison, reconnaissance and utility roles; and the associated training and support systems. The PMV-L will replace around one third of the Land Rover fleet, and represents a brand new capability that will provide the Australian Defence Force (ADF) with a highly protected and deployable light vehicle fleet designed to provide an optimum balance of six fundamental requirements; survivability, mobility, usability, payload, sustainability and communications. The PMV-L fleet will consist of two variants, which may perform specific mission roles:

- 4-Door PMV-L variant; The 4-Door vehicle may perform the following roles:
 - Command – Carriage of up to four personnel with additional integrated electronic command, control and communication systems.
 - Liaison – Carriage of up to four personnel with a general communication fit.
 - Reconnaissance – Carriage of up to four personnel to perform light infantry, reconnaissance and Air Force security functions.
- 2-Door PMV-L variant; The 2-Door vehicle will perform the following role:
 - Utility – Carriage of two personnel and cargo.

Thales Australia Ltd has been contracted by Defence for the development, production and through-life-support of the PMV-L capability, the Hawkei. Thales Australia Ltd is also the nominated Prime Systems Integrator for the Integral Computing System (ICS).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$14.2m against the FY 2023-24 budget of \$36.3m. The underspend of \$22.2m is primarily related to the delayed acceptance of Thales Australia Ltd vehicle delivery milestones and introduction into service activities (training and vehicle roll-out) due to the Anti-Lock Braking System (ABS) safety issue (\$17.2m). The remaining underspend (\$5.0m) is due to the accrual of expenditure in FY 2023-24 which has not yet been realised.

Project Financial Assurance Statement

As at 30 June 2024, LAND121 Phase 4 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this 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 has not applied contingency in the FY 2023-24.

Schedule Performance

Initial Materiel Release (IMR) and Initial Operational Capability (IOC) were re-scheduled to May 2020 and December 2020 respectively, due to Hawkei reliability issues, design maturity and the production delays caused by Steyr Motors Australia Pty Ltd voluntary administration.

Remedies under the contract, including liquidated damages, were received during FY 2020-21 as a result of the reliability issues. While stop payments had previously been initiated, none occurred during FY 2023-24.

Army endorsed the declaration of IMR with caveats on 26 May 2020. The caveats related to delays in the delivery of some elements

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

of the Hawkei Support System, and Verification and Validation (V&V) activities, primarily due to COVID-19 restrictions. As at 30 June 2021, all caveats had been resolved.

Defence formally advised Thales Australia Ltd on 30 September 2020 that it had been granted approval to exit Stage Two – Low Rate Initial Production (LRIP) and enter Stage Three – Full Rate Production (FRP).

Army's declaration of IOC was deferred a further six months, pending resolution of a vehicle safety incident that occurred on 23 November 2020. Defence temporarily suspended the use of the Hawkei fleet on 25 November 2020 until the issue was resolved. The incident involved the application of the ABS under specific operating conditions. The technical solution, developed by Thales Australia Ltd to resolve the issue has been implemented on the ADF's fleet of Hawkei vehicles.

The Hawkei capability commenced Phase-In under the Protected Mobility Family of Vehicles Through Life Support (TLS) Contract on 3 May 2021.

Army declared IOC for the Hawkei capability on 20 May 2021.

Thales Australia Ltd successfully completed all Phase-In activities with the Hawkei Operative Date under the TLS commencing on 26 November 2021.

During the October 2022 Integrated Investment Program Portfolio Budget Statements (PBS) Biannual Update, Final Materiel Release (FMR) and Final Operational Capability (FOC) were rescheduled from December 2022 and June 2023, to December 2023 and June 2024 respectively.

On 11 November 2022, Thales Australia Ltd advised Defence that it had identified a new issue impacting the brakes on the Hawkei. Defence accepted Thales Australia Ltd's recommendation to restrict the use of the Hawkei fleet as a precautionary measure until Thales Australia Ltd determined the root cause of the issue.

In January 2024, Thales Australia Ltd completed the implementation of an interim solution on the in-service fleet to allow for unrestricted use until an enduring solution is found.

As a part of the Mid-Year Economic and Fiscal Outlook (MYEFO) 2023 Bi-Annual Integrated Investment Program Update, Defence advised the Government of the safety concern with the Hawkei ABS and critical spare parts deficiencies, which would likely delay the achievement of FOC.

In March 2024, Defence formally advised the Government that FOC would not be achieved by June 2024, as it is contingent on the Thales Australia Ltd's remediation of the current ABS Modulator and Support System issues and subsequent completion of other introduction into service activities.

On 29 May 2024, Defence conducted a review of Thales Australia Ltd's findings into the root cause of the Hawkei ABS Modulator fault, and their proposed solution to remediate the fault. Defence subsequently accepted Thales Australia Ltd's findings and the proposed solution.

Defence is working with Thales Australia Ltd to recommence the rollout of Hawkei vehicles to units. A quantity of vehicles will continue to be monitored as part of a robust ABS modulator surveillance plan to fully validate the solution, and to ensure the ongoing safety of personnel and property.

Defence is currently conducting a detailed schedule review to incorporate recent developments and will update the Government on the revised dates for FMR and FOC as soon as the review is completed.

Materiel Capability/Scope Delivery Performance

16 Hawkei pre-production baseline vehicles and nine trailers were delivered for development and testing purposes under Stages One and Two. The acceptance process for the LRIP vehicles and trailers commenced in January 2018, with the first vehicles being formally accepted by the Commonwealth in March 2018. As at 30 June 2024, the Commonwealth has accepted 874 vehicles and 1058 trailers.

Defence conducted a trial involving the deployment of two Hawkei vehicles to Iraq and Afghanistan. The vehicles were deployed into Iraq as part of Task Group Taji and then redeployed in April 2018 to the Australian contingent in Kabul, Afghanistan. This trial commenced in December 2017 and concluded in August 2018. The key trial objectives included the identification of operational and support issues and deployment considerations for the Hawkei capability.

Thales Australia Ltd advised the Commonwealth on 29 November 2018 that the Hawkei engine supplier, Steyr Motors Australia Pty Ltd, had entered into voluntary administration, which would result in a delay in the supply of engines. Thales Australia Ltd advised Defence that it had acquired Steyr Motors Australia Pty Ltd on 23 August 2019. Thales Australia Ltd's procurement of Steyr Motors Australia Pty Ltd will ensure the continuity of engine supply and the long-term sustainability of the Hawkei program. The IMR milestone was re-scheduled to May 2020 due to Hawkei reliability issues, design maturity and production delays caused by Steyr Motors Australia Pty Ltd entering voluntary administration.

The Hawkei support system continues to be developed. Operator Training commenced at the Army School of Transport in September 2018. Maintainer Training commenced in November 2019 at the Army School of Electrical and Mechanical Engineers.

A Hawkei Operational Test and Evaluation (OT&E) activity was successfully conducted in August 2020 to inform Army's declaration of IOC.

The Systems Acceptance Audit (SAA) was conducted in two parts on 8 September 2020 and 1-3 December 2020. SAA Part One confirmed that the Hawkei mission and support systems met the required specification. Thales Australia Ltd was granted approval to exit SAA Part One on 16 September 2020.

SAA Part Two confirmed the Hawkei FRP design baseline and associated support system is delivered as contracted. Thales Australia Ltd was granted approval to exit SAA Part Two on 20 August 2021.

LAND121 Phase 4 has rolled out 468 Hawkei vehicles as at 30 June 2024, to Army units in Perth, Adelaide, Brisbane, Darwin and Townsville, as well as to Army training units in Puckapunyal and Bandiana. 138 Low Rate Initial Production vehicles were withdrawn from units to be uplifted to the final contracted baseline, leaving 330 currently in-service with Army and Air Force.

Note
Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

<p>Background</p> <p>LAND121 Phase 4 addresses the ADF's land mobility asset needs through the development of lightweight and light class field vehicles with the requisite levels of ballistic and blast protection.</p> <p>Government agreed First Pass Approval in October 2008, to pursue the development of a next generation PMV-L by joining the United States (US) Joint Light Tactical Vehicle (JLTV) Program (Option One) and at the same time retain the possibility of acquiring a Market Available Vehicle (MAV) in the event JLTV proves unsuitable (Option Two).</p> <p>In May 2009, Government directed that an Australian indigenous option for PMV-L be considered. In June 2009, a Manufactured and Supported in Australia (MSA) Option (Option Three) was pursued through the release of a Request for Proposal. In 2009, Defence joined the US JLTV Program Development Group funding.</p> <p>First to Interim Pass funding was provided in November 2009 following approval of Materiel Acquisition Agreement (MAA) V2.0, where Government agreed that LAND121 Phase 4 would return to Government for an Interim Pass decision on which option was to be pursued to Second Pass.</p> <p>In May 2010, Government agreed that the MSA (Option Three) be further investigated prior to Interim Pass through the conduct of initial prototyping activities. Stage One MSA funding was provided in July 2011 to assess six developmental Line of Departure vehicles, two from each of the three companies - Force Protection Europe Ltd, General Dynamics Land Systems-Australia and Thales Australia Ltd. The procurement process determined that there were no off-the-shelf options available that met all ADF requirements. Government refined its direction in December 2011 that:</p> <ul style="list-style-type: none"> Directed Defence to cease active participation in the US JLTV Program but continue to monitor the US JLTV Program, given its potential to provide an alternative at Second Pass. Selected Thales Australia Ltd's PMV-L as the preferred vehicle for further development and testing under Stage Two of the MSA (Option Three). <p>MSA Stage Two funding was provided in April 2012 that enabled Thales Australia Ltd to carry out further development of their PMV-L, culminating in a program of trials and testing of the prototypes in late 2013. A risk reduction activity aimed at reducing residual technical risk to an acceptable level was carried out in 2014.</p> <p>In August 2015, Government provided Second Pass Approval for LAND121 Phase 4 to acquire the Thales Australia Ltd PMV-L. LAND121 Phase 4 contract was established in October 2015 for 1100 Hawkei vehicles and 1058 trailers based on a minimum fifty percent of the production or manufacturing costs to be incurred in Australia.</p> <p>Support requirements for the Hawkei have been incorporated into the existing Protected Mobility Vehicle-Medium (Bushmaster) TLS Contract. It is anticipated that integrating the support arrangements for both fleets will reduce the overall cost of ownership of the vehicle systems by approximately \$270.0m over the 15-year life of the vehicle systems. In October 2021, Government approved a reduction to project scope of two Hawkei vehicles for buy-back by Thales Australia Ltd to support a potential export opportunity. The reduction in the total quantity of vehicles to be delivered to the Commonwealth from 1,100 to 1,098 has been formalised in an acquisition contract change and will be reflected through an update to the MAA.</p> <p>On 21 July 2023, LAND121 Phase 4 was elevated to a Project of Interest (POI), due to Thales Australia Ltd's inability to resolve the brake issue and lift the operating restrictions across the wider ADF fleet. This has created significant risk to the achievement of FOC. A remediation plan was approved on 11 October 2023 for the resolution of the issues which elevated the Project to a POI.</p> <p>In September 2023, a commercial arrangement was entered into with Thales Australia Ltd which provided the Commonwealth with goods and services in kind as liquidated damages, reduced the total contract value, added scope and a Performance Framework for several remaining milestones under the contract. The events which triggered the liquidated damages have been recorded in the Liquidated Damages register and they were not utilised within FY 2023-24.</p>
<p>Uniqueness</p> <p>LAND121 Phase 4 is a developmental project specifically designed to meet the ADF's requirements. The uniqueness of PMV-L stems from the combination of the following in a single vehicle:</p> <ul style="list-style-type: none"> A high level of blast, ballistic and fragmentation protection, enabling greater deploy-ability within high risk operational environments. A next-generation Generic Vehicle Architecture based Command, Control, Communications, Computers and Intelligence (C4I) solution – ICS. Utilise a modular armour system to enable enhanced protection based on mission specific roles.
<p>Major Risks and Issues</p> <p>The project currently has one high rated risk and two high rated issues (pre-mitigation rating).</p> <p>The one high rated emergent risk is:</p> <ul style="list-style-type: none"> There is a risk that delays to the rollout of vehicles may increase storage requirements & cost, subject the vehicles to degradation due to lack of use, create reputational damage and impact the ability of the project to meet FMR and FOC. <p>The two high rated issues are:</p> <ul style="list-style-type: none"> The acceptance and rollout of the Hawkei have been impacted by the prime contractors inability to resolve the ABS modulator braking issue in a timely manner resulting in vehicles degradation due to lack of use, reputational damage and delay in the achievement of FMR and FOC. Use of the Hawkei capability has been impacted by delays to implementation of the Support System due to a deficient/or incomplete Interactive Electronic Technical Publication (IETP) update being supplied resulting in impacts to Capability, Reputation, Health & Safety, and Schedule. <p>The following high rated issues were downgraded to medium in FY 2023-24:</p>

- Vehicle roll-out delays due to the misalignment of interdependent project schedules to support Hawkei integration.
- Disruptions as a result of the COVID-19 pandemic, major conflict and/or event creating delays within the supply chain.
- Insufficient time to train the quantity of personnel required to undertake Hawkei Introduction into Service (IIS) Training, to achieve Army's Directed Training Requirement (DTR) by FOC.
- Insufficient prime vendor resourcing will impact project schedule and performance due to the inability to deliver contractual deliverables on time or to the expected standard.

Other Current Related Projects/Phases

LAND121 is a multi-phased program providing the ADF with current-generation high-capability field vehicles, modules and trailers. The other current LAND121 projects are:

LAND121 Phase 3B – Medium and Heavy Capability. This project provided the ADF with 2,536 protected and unprotected medium and heavy vehicles, along with 1,582 matched trailers. This provided payloads of between four and 70 tonnes for a range of logistics functions, including vehicle recovery, freight, bulk liquid distribution and personnel carriage.

LAND121 Phase 5B – Medium and Heavy Capability within the Non-Combat Vehicles Program. This project is a follow-on acquisition from LAND121 Phase 3B, and is providing the ADF with an additional 1,044 medium and heavy vehicles, 872 modules and 812 trailers.

LAND200 Tranche 2 – Battlefield Command Systems. This project seeks to expand and evolve the Battle Management System – Command and Control (BMS-C2) and supporting Tactical Communications Network (TCN) from Battle Group (BG) to Brigade Headquarters. LAND200 Tranche 2 was also scoped to enhance data interoperability and information exchange with other government agencies and Coalition partners by integrating the BMS-C2 onto the Mission Partner Environment. BMS and TCN elements of LAND200 Tranche 2 that will not be delivered have been defined with certainty against the original project scope. Refer to Section 2.3 for further information relating to the contractual arrangements between LAND200 Tranche 2, LAND121 Phase 4 and Thales Australia Ltd.

LAND154 Phase 4 – Joint Counter Improved Explosive Device Capability. This project replaces the ADF's existing Force Protection Electronic Counter Measures (FPECM) capability through improved military off-the-shelf technology, procured via the US Foreign Military Sales program. FPECM mission systems will include both a Dismounted System and a Vehicle Mounted System (VMS). The VMS will be integrated onto a range of ADF mobility platforms, including the Hawkei.

LAND19 Phase 7B – Short Range Ground Base Air Defence. This project will acquire a new Short Range Ground Based Air Defence capability, replacing Army's existing RBS-70 system. Under the scope of LAND19 Phase 7B, the tactical radar and high mobility launcher system will be integrated onto the Hawkei mission system.

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
May 08	Original Approval (Government First Pass Approval)	1.8	1
Nov 09	Real Variation – Scope	5.7	2
Jul 11	Real Variation – Scope	31.5	3
Apr 12	Real Variation – Scope	48.4	
Sep 15	Government Second Pass Approval	1,857.6	
	Total at Second Pass Approval	1,944.9	4
Jul 10	Price Indexation	0.4	5
Jun 24	Exchange Variation	30.7	
Jun 24	Total Budget	1,976.0	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Thales Australia Ltd (Prime Contract)	(1,500.9)	6
	Contract Expenditure – Thales Australia Ltd prototyping activities (MSA Stage One and Stage Two Contract)	(58.7)	7
	Other Contract Payments / Internal Expenses	(121.5)	6, 8
		(1,681.0)	
FY to Jun 24	Contract Expenditure – Thales Australia Ltd (Prime Contract)	0.80	9, 10
	Other Contract Payments / Internal Expenses	(15.0)	11
		(14.2)	
Jun 24	Total Expenditure	(1,695.2)	

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

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Jun 24	Remaining Budget	280.8
Notes		
1	This amount reflects funding approval at Government First Pass Approval.	
2	This amount reflects approval to undertake MSA Stage One prototyping.	
3	This amount reflects funding approval at Interim Pass for MSA Stage Two prototyping.	
4	The Budget and Expenditure amounts do not reflect the \$43.0m paid in 2009. Due to the payment being provided by Capability Development Group and was not part of the LAND121 Phase 4 project budget.	
5	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$0.3m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$0.1m having been applied to the remaining life of the project.	
6	\$0.5m has moved from Other contract payments/internal expenses to Contract expenditure – Thales Australia Ltd (Prime Contract). There was no change to the total expenditure prior to July 2023 and this change was to correctly reflect the spread of expenditure.	
7	These expenditures relate to pre Second Pass costs associated with exploring the Government initiated MSA Option (Option Three) and the contracts are now closed.	
8	Other Contract Payment/Internal Expenses comprise of: External Service Providers (\$38.8m), Non-Prime contracts (\$38.0m), MAV prototyping activities (\$17.7m), Support Contract Phase-In Payments (\$8.3m), costs related to testing/trials (\$8.0m), project administrative costs (\$6.7m), legal costs (\$2.2m), and US JLTV Program (\$1.8m).	
9	In September 2023 Thales Australia Ltd and the Commonwealth entered into a commercial arrangement to provide the Commonwealth with Liquidated Damages. This arrangement did not impact FY 2023-24 expenditure.	
10	The Liquidated Damages commercial arrangement execution and Foreign Exchange (FOREX) adjustments resulted in reductions to the FY 23-24 accrual values, which created a positive contract expenditure for the Thales Australia Ltd Prime Contract this FY (FOREX accounts for \$3.9m of the accrual reduction).	
11	Other Contract Payment/Internal Expenses comprise of: Non-prime contracts (\$6.8m), External Service Providers (\$7.4m), admin and legal costs (\$0.8m), and cost related to testing/trials (\$0.02m).	

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
92.9	45.7	36.3	Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES): The variation is primarily due to the reprogramming of the prime contract Final Acceptance Milestone moved into the FY 2024-25 due to the Hawkei safety brake issue. PAES to Final Plan: The variation is primarily due to re-programming of Thales Australia Ltd milestones into FY 2024-25 due to the Hawkei braking issue.
Variance \$m	(47.2)	(9.3)	Total Variance (\$m): (56.6)
Variance %	(50.8)	(20.4)	Total Variance (%): (60.9)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(17.2)	Australian Industry	The underspend of \$22.2m is primarily due to the delayed acceptance of Thales Australia Ltd vehicle delivery milestones and introduction into service activities (training and vehicle roll-out) due to the ABS Braking safety issue (\$17.2m). The remaining underspend (\$5.0m) is due to the accrual of expenditure in FY 2023-24 which have not yet been realised.
		-	Foreign Industry	
		-	Early Processes	
		(5.0)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
36.3	14.2	(22.2)	Total Variance	
		(61.0)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Thales Australia Ltd	Jul 10	9.0	58.7	Firm or Fixed	Standard Defence Contract	3
Thales Australia Ltd	Oct 15	1,328.5	1,573.05	Firm or Fixed	Standard Defence Contract	1, 2, 3, 4, 5, 6, 7
Notes						
1	Price variation from Contract Signature is due to approved Contract Change Proposals (CCP), predominantly to progress the development and integration of ICS.					

2	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024, remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).
3	Price variation from contract signature was to exercise the MSA Stage Two option.
4	The contract has been re-evaluated as being a 'fixed' price because the contract value is 'fixed', plus price escalation.
5	The contract price and scope were increased under CCP078 and CCP107 to incorporate the LAND200 Tranche 2 design work.
6	Costs related to the LAND200 Tranche 2 design, procurement and installation will be funded by LAND200 \$12.5m, while this project contributes \$2.0m primarily for the design, development and installation of the vehicle installation harnesses for Royal Australian Air Force and Protected Mobility Integrated Capability Assurance vehicles.
7	The contract incorporates liquidated damages from CCPs executed in FY 2020-21 (CCP086) and FY 2023-24 (CCP105).

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Thales Australia Ltd	2 PMV-L	8 PMV-L	Design, develop and demonstrate prototype vehicles.	-
Thales Australia Ltd	1,100 PMV-L 1,058 Trailers	1,098 PMV-L 1,058 Trailers	Thales Australia Ltd is contracted to deliver 1,098 PMV-L (633 4-Door and 465 2-door vehicles) and 1,058 Trailers.	1, 2, 3
Major equipment accepted and quantities to 30 Jun 24				
Defence received 10 pre-production baseline vehicles and five trailers from Thales Australia Ltd on schedule for the purpose of various test and evaluation activities under Stage One (Engineering and Manufacturing Development) of the LAND121 Phase 4 Acquisition Contract. Defence received an additional six pre-production baseline vehicles and four trailers for reliability testing, and V&V activities in Stage Two. The Commonwealth has accepted 874 vehicles and 1,058 trailers as at 30 June 2024, which includes the 138 Hawkei and 138 trailers required for IMR.				
Notes				
1	The 16 test vehicles and nine test trailers for development and testing activities are in addition to the 1,098 Hawkei and 1,058 trailers.			
2	In October 2021, Government approved a reduction to project scope of two Hawkei vehicles for buy-back by Thales Australia Ltd to support a potential export opportunity. The reduction in the total quantity of vehicles to be delivered to the Commonwealth from 1,100 to 1,098 has been formalised in an acquisition contract change and will be reflected through an update to the MAA.			
3	The contract incorporates goods and services to be received as liquidated damages from a CCP executed in FY 2023-24 (CCP105).			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets to meet MSA requirements that is captured in Thales Australia Ltd's AIC Plan across the areas of manufacturing and production.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Detailed Design Review (DDR)	PMV-L and Trailer	Mar 16	N/A	Apr 16	1	1
	ICS	Jan 17	N/A	Dec 16	(1)	2
Preliminary Design Review (PDR)	ICS	Sep 16	N/A	Sep 16	0	-
Critical Design Review (CDR)	PMV-L, Trailer and ICS	Apr 17	Aug 17	Oct 17	6	3
Support System Detailed Design Review (SSDDR) (Operator)	Support System	Jun 17	Jun 18	Aug 18	14	4, 5
SSDDR (Maintainer)	Support System	Jun 17	Jan 19	Jun 20	36	5, 6
Notes						
1	The variance is due to the Contractors delay in closing out the action items.					

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2	The Contractor and the project agreed to conduct the review early, thus the early achievement. The Commonwealth approval of ICS DDR Minutes of Meeting was achieved on 19 December 2016.
3	The variance is due to the vehicle performance exceeding the number of critical failures allowable under Reliability Growth Trial (RGT). Stage One (Engineering and Manufacturing Development) was extended by a four-month period via CCP032 (executed 5 April 2017) to allow Thales Australia Ltd to remediate the critical failures and to undertake an additional RGT in order to fulfil the contractual requirements under Stage Two.
4	The variance of SSDDR of 14 months is due to the LRIP baseline not being ready for review until Critical Design Review exit in October 2017 and the contractor failed to meet the entry criteria in the SSDDR Checklist.
5	The SSDDR was split into separate 'Operator' and 'Maintainer' reviews after the execution of CCP055 in November 2018 to align the training deliverables with the IIS of the capability.
6	An additional eight-month delay to SSDDR (Maintainer) occurred due to delays in finalising the Hawkei Reliability Program, which impacted the finalisation of the FRP vehicle baseline. The Commonwealth confirmed formal exit of SSDDR to Thales Australia Ltd on 19 June 2020.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Maintenance Demonstration	PMV-L, Trailer and ICS	Dec 16	Dec 16	Jul 17	7	1
Reliability Growth Trial (RGT)	PMV-L and Trailer	Mar 17	Jul 17	N/A	N/A	2
Reliability Demonstration Test (RDT)	PMV-L and Trailer	Feb 18	N/A	Nov 18	9	3
Development Test & Evaluation (DT&E)	PMV-L, Trailer and ICS	Mar 17	Sep 17	Sep 17	6	4
Initial Maintenance Evaluation (ME)	PMV-L, Trailer and ICS	Oct 17	Jan 18	Jun 18	8	5
Final Maintenance Evaluation	PMV-L, Trailer and ICS	To be Announced (TBA)	N/A	TBA	N/A	5, 6
Acceptance Verification and Validation (AV&V)	PMV-L, Trailer and ICS	Jun 18	Jan 19	Jul 20	25	7, 8
Production Reliability Acceptance Test (PRAT)	PMV-L and Trailer	Jun 18	Jan 19	Jun 20	24	8, 9
Low-Rate Initial Production (LRIP) Acceptance Last Batch	PMV-L, Trailer and ICS	Jun 18	Jan 19	Oct 19	16	7, 8
FRP Acceptance Last Batch	PMV-L, Trailer and ICS	Oct 20	May 21	NFP	NFP	7, 8, 10

Notes	
1	The variance is due to the Commonwealth rejecting the first two versions of the Maintenance Demonstration Acceptance Verification Reports (AVR) submitted on 24 January 2017 and 30 March 2017. The approved version of the report was submitted to the Commonwealth on 1 June 2017, with the Notice of Approval signed on 3 July 2017.
2	RGT was separated into the following three activities: <ul style="list-style-type: none"> RGT Number One was conducted over the period July to December 2016 and provided Thales Australia Ltd with the opportunity to resolve any issues with the vehicles ahead of the formal trial activities that commenced under RGT Number Two. RGT Number Two commenced in November 2016. In January 2017, the pilot Hawkei vehicles had exceeded the seven allowable critical failures under the contract. Identified key root causes include supplier quality issues and immature components affecting hardware and software integration. A six-week corrective action period was implemented to allow Thales Australia Ltd to undertake engineering upgrades. RGT Number Three (May to July 2017) followed this, which demonstrated reliability improvements on a number of sub-systems, but a number of recurring failures were evident.
3	Thales Australia Ltd was granted exit of Stage One (Engineering and Manufacturing Development) on 5 September 2017, with the caveat that Thales Australia Ltd continued to address the reliability issues. The RDT was introduced as CCP to confirm that failures identified during the RGT had been rectified before entering into the Production Readiness Acceptance Test. The nine months delay in completing RDT is due to the delay in remediating the outstanding reliability issues.

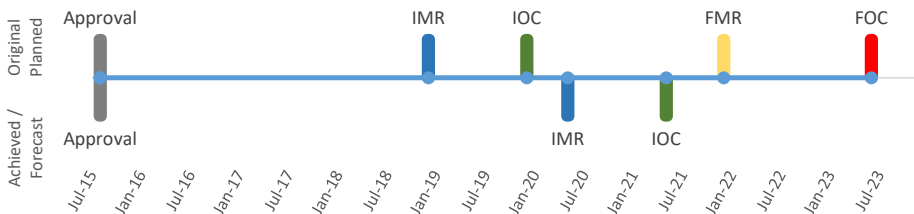
4	As part of the extension of Stage One (Engineering and Manufacturing Development), DT&E was extended to facilitate further development testing and to mitigate against the AV&V activities required under Stage Two (LRIP).
5	The approval of AVR for the initial ME was delayed by seven months due to the initial submission of the report being rejected by the Commonwealth, primarily due to the incompleteness of the Interactive Electronic Technical Publication presented by Thales Australia Ltd.
6	Thales Australia Ltd's compliance against the deficiencies identified in the initial ME were addressed in the second ME. Subsequent MEs have been conducted to address engineering changes as the vehicles design developed. The Final ME will be scheduled following the completion of a CCP to incorporate it into the prime contract.
7	AV&V was delayed by 25 months due to the requirement to extend reliability testing, which impacted on the date that the LRIP vehicle build state was established between the Commonwealth and Thales Australia Ltd. The delay in establishing the vehicle build state impacted on vehicle availability to conduct AV&V activities. The reliability issues, design maturity and production delays further impacted the completion of AV&V. Sea, air and rail V&V activities were previously delayed by COVID-19 movement restrictions, but were completed prior to the declaration of IOC.
8	As part of the extension of Stage One (Engineering and Manufacturing Development), the start dates of some Stage Two (LRIP) and Stage Three (FRP) activities were delayed.
9	PRAT was finalised on 10 June 2020 with the Commonwealth's approval of the Integrated Reliability Maintainability and Testability Report from Thales Australia Ltd.
10	Defence has conducted a detailed assessment of the revised vehicle delivery schedule from Thales Australia Ltd against the projects milestones. The revised schedule factors in delays due to Thales Australia Ltd's production capacity, the requirement to uplift early production vehicles to the contracted product baseline, the November 2022 vehicle braking safety issue, and COVID-19 global supply chain challenges. Thales Australia Ltd implemented an interim solution on the in-service fleet to allow for unrestricted use until the implementation and qualification of an enduring solution addresses the root cause.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Dec 18	May 20	17	1, 2
Initial Operational Capability (IOC)	Dec 19	May 21	17	1
Final Materiel Release (FMR)	Dec 21	TBA	TBA	3,4,5,6
Final Operational Capability (FOC)	Jun 23	TBA	TBA	3,4,5,6

Notes	
1	IMR was initially deferred by five months to enable the conduct of an additional vehicle reliability demonstration activity (four months) and the extension of IIS Training and the associated increase in vehicle deliveries (one month). IMR and IOC were re-scheduled by 12 months to May 2020 and December 2020 respectively, due to Hawkei reliability issues, design maturity and production delays caused by Steyr Motors Australia Pty Ltd entering voluntary administration. IOC was further deferred until June 2021, pending resolution of the vehicle safety incident. IOC was declared on 20 May 2021.
2	IMR was declared with caveats in May 2020. These caveats have now been resolved
3	On 4 August 2022 the Capability Manager (Army) advised Government that the FOC of the Hawkei will be delayed from June 2023 to June 2024 due to COVID-19 related disruptions, design issues and delays to Thales Australia Ltd's FRP and uplift capacity. The revised FMR and FOC dates of December 2023 and June 2024 were formalised during the October 2022 Integrated Investment Program PBS Biannual Update and will be reflected in the next MAA update.
4	Thales Australia Ltd has provided a root cause of the ABS Modulator fault and Remediation Plan. The implementation of the remediation required will impact the achievement of FMR and FOC. Defence is working closely with Thales Australia Ltd to confirm the schedule and anticipates being in a position to provide an update as part of the mid-year biannual update.
5	Through the MYEFO 2023 Bi-Annual Integrated Investment Program Update, Defence advised the Government of the safety concern with the Hawkei ABS and critical spare parts deficiencies, which would likely delay the achievement of FOC.
6	Defence formally advised the Government that FOC would not be achieved by June 2024, as it is contingent on Thales Australia Ltd's remediation of the current ABS Modulator and Support System issues and subsequent completion of other introduction into service activities.

Schedule Status at 30 June 2024



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

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Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
<p>99.9%</p>	<p>Green: The project expects to meet the materiel capability requirements as expressed in the MAA in accordance with the requirements of the Technical Regulatory Authorities.</p>
<p>0%</p>	<p>Amber: N/A</p>
<p>0.1%</p>	<p>Red: Explanation of percentage breakdown is not for publication.</p>
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<p>The capability delivered at IMR:</p> <ul style="list-style-type: none"> 108 x Hawkei and 108 x Trailers to be delivered in accordance with the Force Generation Cycle; 22 x Hawkei and 22 x Trailers for IIS Training (increased from 14 x Hawkei and 14 Trailers). 8 x Hawkei and eight Trailers for the conduct of V&V, and PRAT. Logistics support arrangements, including Training, Supply and Maintenance Systems. <p>IMR was achieved with caveats in May 2020. As at 30 June 2021, all of these caveats have been resolved.</p>	Achieved
Initial Operational Capability (IOC)	<p>Declaration of IOC was made by the Capability Manager following the conduct of a BG sized OT&E activity to validate the Hawkei Fundamental Inputs to Capability (FIC) components.</p> <p>IOC was declared in May 2021.</p>	Achieved
Final Materiel Release (FMR)	<p>By FMR, the following will be delivered:</p> <ul style="list-style-type: none"> 1,098 x Hawkei and 1,058 x Trailers. IIS Training and transfer of IIS training packages. <p>The FMR achievement date is currently TBA.</p>	Not yet Achieved
Final Operational Capability (FOC)	<p>Declaration of FOC will be made by the Capability Manager supported by the results of OT&E and confirmation by the Capability Acquisition and Sustainment Group (CASG) that the FIC components have been delivered as agreed. The FOC criteria are to be defined by the Capability Manager.</p> <p>The FOC achievement date is currently TBA.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Delays to the rollout of vehicles may increase storage requirements & cost, subject the vehicles to degradation due to lack of use, create reputational damage and impact the ability of the project to meet FMR and FOC.	Optimisation of storage at staging facility. Engaging resources to meet projected staging requirements. Undertake fleet management activities at staging facility to reduce storage degradation.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	The acceptance and rollout of the Hawkei have been impacted by Thales Australia Ltd's inability to resolve the ABS modulator braking issue in a timely manner.	The ABS Modulator Remediation plan developed and implemented. Implementation of an interim solution. Regular engagement between the Commonwealth and Thales Australia Ltd to discuss remediation. Contractual Latent Defect provisions.
2	Use of the Hawkei capability has been impacted by delays to implementation of the Support System.	Clearly defined criteria to publish technical publications. The Technical Publication remediation plan developed and implemented. Regular engagement between the Commonwealth and Thales Australia Ltd to discuss remediation.
3	Vehicle roll-out delays due to the misalignment of interdependent project schedules to support Hawkei integration	Thales Australia Ltd to complete an early Long Lead Time Item procurement for LAND200 components. Establishment of a LAND200 communications suite that can be fitted with T1 or T2 radios. This issue was downgraded to medium in FY 2023-24 as the significant delays experienced by the Project due to the ABS Modulator issue allowed for the L200 and L121PH4 schedules to re-align.
4	Disruptions as a result of the COVID-19 pandemic, major conflict and/or event creating delays within the supply chain.	Project and Branch senior leadership continue to provide oversight and regularly engage with Thales Australia Ltd leadership to review actions plans. The project office continuous reviews its stockholding strategy, including increasing stock on hand and ordering stock earlier. This issue was downgraded to medium in FY 2023-24 as the project has undertaken all major sparing and ST&E procurements and mitigations undertaken were effective.
5	Insufficient time to train the quantity of personnel required to undertake Hawkei IIS Training, to achieve Army's DTR by FOC.	Adjustment of training milestones in the MAA, as agreed to between the Project Office and the Capability Manager. Establishment of regional training teams to increase training throughput. Working group convened between the Project Office, Capability Manager and Army Logistic Training Centre to develop solutions to address the issue. Working group meets periodically to track DTR achievement. Remedial actions continue to be implemented to achieve DTR in accordance with the current project schedule. This issue was downgraded to very low in FY 2023-24 as the significant delays experienced due to the ABS Braking issue have resulted in the DTR achievement schedule no longer being at risk on the FOC critical path.
6	Insufficient prime vendor resourcing will impact project schedule and performance due to the inability to deliver contractual deliverables on time or to the expected standard.	The Commonwealth provides prioritisation of work packages. Regular contract progress meetings between LAND121 Phase 4 project office and Thales Australia Ltd stakeholders. Fortnightly sync meetings between Thales Australia Ltd and Director General Land Vehicle Systems. A purchase order prioritised delivery of extant work under contract as well as proposed work packages not yet contracted during the commercial wrap-up negotiations. This issue was downgraded to medium in FY 2023-24 as the prime contractor has been able to demonstrate through their performance sufficient resourcing.

Note

Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 11 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Insight. Developmental Capability. The Hawkei is a technically complex development project that requires active engagement with the contractor, multiple interagency stakeholders and projects from other domains. Maintaining close collaboration and communication with all stakeholders is critical for understanding the technical requirements for a first-of-type capability, and facilitating proactive risk management and contingency planning.	Commercial Management
DLR Lesson Type – Observation. Vehicle Acceptance Resourcing and Planning. The early planning and generation of dedicated Commonwealth Production Liaison and Vehicle Acceptance staff (and processes) enables improved planning in conjunction with the original equipment manufacturer for vehicle acceptance and quality assurance processes. This improves transition from design into the production and Vehicle Acceptance stage of the program.	Program, Project & Product Management
DLR Lesson Type – Insight. Hawkei Reliability Growth. Reliability programs must incorporate sufficient schedule for reliability growth of the capability to set the conditions for a successful outcome. Reliability fixes must be supported by objective quality evidence before proceeding to the next reliability test.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems
Branch	Land Vehicle Systems Branch

Project Data Summary Sheet¹

Project Number	LAND200 Tranche 2
Project Name	BATTLEFIELD COMMAND SYSTEM
First Year Reported in the MPR	2019-20
Capability Type	Upgrade
Capability Manager	Chief of Army
Government 1st Pass Approval	Aug 13
Government 2nd Pass Approval	Sep 17
Budget at 2nd Pass Approval	\$930.0m
Total Approved Budget (Current)	\$972.5m
2023–24 Budget	\$77.2m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND200 was intended to deliver a Battlefield Command System (BCS) capability that provides Army with a Battle Management System (BMS) and an integrated Tactical Communications Network (TCN) that is transforming command and control of Land Forces into a modern networked system. The BCS would provide fast, accurate, secure and reliable digital communications that would enable tactical Land Forces to make better informed decisions, by distributing the right information to the right people at the right time, increasing the likelihood of operational success and soldier safety via friendly force tracking.

LAND200 Tranche 2 (LAND200-2) was contracted to expand and evolve the LAND200 Tranche 1 (LAND200-1) capability across Army with new collaborative planning, control and monitoring tools for Brigade and Divisional-level headquarters. Integrating the BCS into an additional 540 platforms including; M1A1 Tank, M88 Armoured Recovery Vehicle, Hawkei, Bushmaster and Medium Heavy Cargo trucks. The Program was scoped to embed BCS training into Army's training institutions, to evolve from paper based to a digital based learning capability.

The Commonwealth is the LAND200-2 Program's Prime System Integrator (PSI), previously supported by two prime contractors; Elbit Systems Ltd – contractor for the BMS and L3 Harris Communications Australia – contractor for the TCN.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$26.0m against the FY 2023-24 budget of \$77.2m.

The source of the in-year variance stems from L3 Harris Communications Australia not achieving Acceptance Test & Evaluation (AT&E) milestones as contracted. As a result the Commonwealth enacted a Stop Payment which resulted in fewer payments being processed this FY, significantly contributing to the in-year variance.

Project Financial Assurance Statement

As at 30 June 2024, LAND200-2 has reviewed the approved scope and budget for elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers as at the reporting date, there is sufficient budget, including contingency, remaining for the project to complete against the agreed scope. With all commercial matters now addressed there is significantly less uncertainty around future deliverables, schedule and financial risks.

Contingency Statement

The project has not applied contingency in the FY 2023-24.

Schedule Performance

LAND200-2 established contracts with Elbit Systems Ltd for delivery of the BMS and a current contract with L3 Harris Communications Australia for delivery of the TCN. Having played a critical role in digitising Army, Elbit Systems Ltd has completed the integration and installation of Tranche 1 components onto the Medium Heavy Cargo trucks and has delivered BMS training systems and other artefacts including Release 1 (R1) of current configuration of the BMS software.

In June 2021, Elbit Systems Ltd advised that completion of the BMS Contract's Final Acceptance milestone would occur no earlier than February 2024. Subsequently Elbit Systems Ltd and the Commonwealth agreed to reduce the scope of LAND200-2, so as to exclude the scope that was undeliverable for reasons of schedule, Government Furnished Equipment (GFE) availability and continued Commonwealth priority.

For the TCN, L3 Harris Communications Australia completed Preliminary Design and Detailed Design, however a Stop Payment was invoked in April 2022, due to an inability to achieve System Acceptance. This Stop Payment was in force until 9 May 2024

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<p>when it was lifted as part of the conditions associated with signing the Contract Change Proposal (CCP040) that collaboratively resolved issues that were preventing the project moving forward.</p> <p>To achieve that resolution the Commonwealth and L3 Harris Communications Australia stepped through a number of stages of dispute resolution. Initially the inability to resolve the matters surrounding the Stop Payment led the Commonwealth to issue L3 Harris Communications Australia a Default Notice in March 2023 and a Dispute Notice in August of the same year for not achieving Milestones 13b and 13c of the contract. These Milestones were for successful conduct of Test Readiness. L3 Harris Communications Australia, while disputing the Default Notice, maintained relationships with the Commonwealth and worked to address the key issues at the highest level.</p> <p>As part of addressing these issues the project also undertook support to an Internal Audit Report (IAR) in April 2024 to gauge progress and review the plan to completion.</p> <p>Early in 2024 collaboration between the Commonwealth and L3 Harris Communications Australia supported resolution of the issues in Dispute and a negotiated way forward for the project.</p> <p>This was negotiated in May 2024 via a Deed of Reduction and Release and CCP040. This has enabled the definition of remaining TCN deliverables and agreed a schedule to work towards achieving contract closure for the project.</p>
<p>Material Capability/Scope Delivery Performance</p> <p>LAND200-2 has delivered:</p> <ul style="list-style-type: none"> 150 Medium Heavy Cargo trucks fitted with the Tranche 1 BCS node, Foundation Training Classroom requirements, and new and retrofitted BMS Training Assemblages, BMS – Command and Control (BMS-C2) Software Release 0 and BMS-C2 Software R1, M1A1 tank TCN 'lite' and M88 armoured recovery vehicle installations. 772 TCN radios and ancillaries introduced into Army service as a precondition to the provision of BCS node integration and installations. <p>Under the extant 2018 Materiel Acquisition Agreement (MAA) LAND200-2 is contracted to deliver a further:</p> <ul style="list-style-type: none"> 390 vehicle BCS node integrations and installations for Protected Mobility Vehicle-Medium (PMV-M) Bushmaster and the Protected Mobility Vehicle-Light (PMV-L) Hawkei platforms. <p>With commercial situations resolved between the Commonwealth of Australia (CoA) and Elbit Systems Ltd in 2023 and with L3 Harris Communications Australia in 2024 a clear picture of scope deliverables can now be made and will be confirmed in an updated MAA.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>The LAND200 program is a core program that fundamentally influences the way Land Forces plan, command and control operations from frontline soldiers and combat vehicles up to and including deployed Joint Force Headquarters. LAND200-2 systems provide war-fighters with common battlefield awareness and information superiority through a highly capable, mobile and secure networked environment.</p> <p>In August 2013, LAND200-2 (combining JP2072 Phase 3 and LAND75 Phase 4) received Government Combined First Approval and built upon the LAND200 Tranche 1 (LAND200-1) and LAND75 Phase 4 Battle Group and Below Command, Control and Communications System (BGC3) delivered to approximately one-third of the Land Force. The BGC3 prime contractor was Elbit Systems Ltd which integrated Raytheon Australia Pty Ltd and L3 Harris Communications Australia radios acquired by JP2072 Phases 1 and 2.</p> <p>LAND200-2 scope focused on further development of the BMS that commenced under LAND75. No Military off-the-shelf BMS product was available that provided all of the Army requirements.</p> <p>In September 2017, Second Pass Government Approval was provided for LAND200-2 that both projects (JP2072 Phase 3 and LAND75 Phase 4) formulate under the name LAND200-2 BCS. LAND200-2 intended to deliver integrated BMS-C2 with a supporting TCN into new vehicle platforms as part of the digitised Land Force. In addition to this, a modernised TCN with a new vehicle mounted communications system solution to be acquired by current and future LAND200 platforms programs.</p> <p>The BCS project was listed as a Project of Interest in September 2018 due to issues associated with vehicle integration and realisation of risks resulting in the request to access contingency funding.</p> <p>Other deliveries included BMS-C2 and TCN training and simulation across land forces and expanded functionality of the BMS-C2 to incorporate additional decision and planning tools for use at the Joint Task Force and Brigade Headquarters (BHQ) level. The Elbit Systems Ltd BMS was concluded in March 2023 and no longer forms part of the BCS Project leaving the L3 Harris Communications Australia delivered TCN as the remaining contract.</p> <p>Negotiations between L3 Harris Communications Australia and the Commonwealth have resolved the issues that caused the underperformance of the TCN project and agreed a way forward to deliver the remaining required elements of the scope for project. Once the updated MAA has been approved, refreshed schedule milestones can be articulated that will define BCS schedule performance.</p>
<p>Uniqueness</p> <p>The intent of LAND200-2 is to deliver the core of Army's digital Command, Control and Communications capability. It is a highly complex project in part due to the integration of new leading edge technologies but also of programmatic interdependencies associated with the BCS being integrated into all the Land Forces deployable headquarters from Platoon to the Division and nearly all of Army's Land platforms and several Naval amphibious capabilities.</p>

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<p>Major Risks and Issues</p> <p>The current delivery risks for the project relate to the integration and installation of the TCN System into a number of platforms. The project is also managing the following major risks:</p> <ul style="list-style-type: none"> • BCS Schedule risk. • Platform integration and installation for the PMV-M. • Platform integration and installation for the PMV-L. <p>There are no emerging risks and the project has retired the two issues in this reporting period.</p>
<p>Other Current Related Projects/Phases</p> <p>LAND200-2 has direct BCS integration interdependencies with several other Defence Projects and Products, including:</p> <p>LAND121 Phase 4 – Protected Mobility Vehicles Light (PMV-L). The PMV-L Hawkei within Protected Mobility Systems Program Office (PMSPO) (Product CA-04 PMV-L – Hawkei).</p> <p>PMSPO Product CA-04 PMV-M –Bushmaster.</p> <p>While LAND 200 Tranche 2 has no direct dependencies (other than with LAND121 Phase 4) with other projects it has informed the communications fit out for the new LAND 400 Phase 2 Combat Reconnaissance Vehicle and the new LAND 400 Phase 3 Close Combat Vehicle.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Sep 17	Original Approved (Government Second Pass Approval)	930.0	1
	Total at Second Pass Approval	930.0	
Jun 24	Exchange Variation	42.5	
Jun 24	Total Budget	972.5	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Elbit Systems Ltd	(370.1)	
	Contract Expenditure – L3 Harris Communications Australia	(310.9)	2
	Contract Expenditure – Downer EDI Engineering Power Pty Ltd	(39.6)	
	Contract Expenditure – Thales Australia Ltd	(10.2)	
	Other Contract Payments / Internal Expenses	(32.6)	3
		(763.4)	
FY to Jun 24	Contract Expenditure – L3 Harris Communications Australia	(15.6)	
	Contract Expenditure – Downer EDI Engineering Power Pty Ltd	(6.9)	4
	Contract Expenditure – Thales Australia Ltd	(2.8)	
	Other Contract Payments / Internal Expenses	(0.7)	5
		(26.0)	
Jun 24	Total Expenditure	789.4	
Jun 24	Remaining Budget	183.1	6
Notes			
1	The Second Pass budget excludes First to Second Pass Approval funding for Work Packages B, C and D (these prices were combined with the Combined Pass Approval for Work Package A captured within the JP2072 Phase 3 and LAND75 Phase 4 projects).		
2	Stop Payment was invoked with L3 Harris Communications Australia in April 2022, due to an inability to achieve System Acceptance. This Stop Payment was in force for all of FY 2022-23 and lifted as part of the March 2024 Deed of Reduction and Release and CCP040.		
3	Other Contract Payments/Internal Expenses for prior year includes: (\$15.0m) for Technical Services, (\$6.9m) for Specialist Military Equipment, (\$4.3m) for Miscellaneous, (\$3.1m) for Operational Plant & Equipment, (\$1.7m) for Travel and (\$1.6m) for Software Licenses.		
4	This is the provision of a multi-discipline workforce to deliver the Land Command, Control, Communications and Computer Systems (LC4S) Branch Integrated Works Package (IWP).		
5	Other Contract Payments/Internal Expenses includes: Technical Services (\$0.6m), and Miscellaneous (\$0.1m).		

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

6	Funding for the work associated with the transfer of the 38 PMV-M Gateway (GW) vehicles to LAND4111 from LAND200-2 has yet to be finalised.
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2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
45.8	112.7	77.2	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statements (PAES)</u> : The variation is primarily due to delays to the TCN prime contract. Defence and L3 Harris Communications Australia have worked through known issues to finalise a number of CCP to update the payment and delivery schedules. <u>PAES to Final Plan</u> : The budget for PSI related deliverables was shifted to FY 2024-25.
Variance \$m	66.9	(35.5)	Total Variance (\$m): 31.4
Variance %	146.1	(31.5)	Total Variance (%): 68.7

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(51.3)	Australian Industry	Impacts on financial performance are still linked to previous year project delays. The source of the in-year variance stems from L3 Harris Communications Australia not achieving AT&E milestones as contracted. The Commonwealth had enacted Stop Payments as a result, therefore, fewer payments were processed this FY, which significantly contributed to the in-year variance.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
77.2	26.0	(51.3)	Total Variance	
		(66.4)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Elbit Systems Ltd	Sep 17	365.2	370.1	Firm or Fixed	Standard Defence Contract	1
L3 Harris Communications Australia	Sept 17	330.0	346.8	Firm or Fixed	Standard Defence Contract	2
Downer EDI Engineering Power Pty Ltd	Aug 19	17.7	48.2	Variable	Standard Defence Contract	3
Thales Australia Ltd	May 21	12.7	14.1	Firm or Fixed	Standard Defence Contract	4
Notes						
1	Price variation from Contract Signature is due to approved CCP030 where Elbit Systems of Australia Pty Ltd's contract was concluded.					
2	The contract is for the provision of TCN systems. Price variation is due to the resolution of the commercial issues and approval of CCP040.					
3	LAND200-2 pays for its share of the workforce provided for the provision of above the-line professional services via this Major Service Provider (MSP) contract. The variance in contract value is due to the time elapsed since contract signature, which was August 2019 and the ongoing workforce required to deliver the project.					
4	Installation of the LAND200-2 BCS within Hawkei vehicles will be the subject of a separate procurement.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Elbit Systems Ltd	N/A	N/A	Development of BMS software and integration and installation of systems into the M1A1, M88 and PMV-M.	1
L3 Harris Communications Australia	N/A	N/A	Development TCN software and provision of Army/ Navy Portable, Radio, Communication – ANPRC-158 radios.	2
Downer EDI Engineering Power Pty Ltd	N/A	N/A	Provision of multi-discipline workforce to deliver the LC4S Branch IWP via the Capability Acquisition and Sustainment Group (CASG) MSP Arrangement.	3

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Thales Australia Ltd	N/A	N/A	Delivery of the design solution for integration of the LAND200-2 BCS within Hawkei vehicles.	4
Major equipment accepted and quantities to 30 Jun 24				
L3 Harris Communications Australia delivery of 772 ANPRC 158 radio's, supporting ancillaries and Training Assemblages have been delivered up to 30 June 2024. Remaining TCN deliveries are planned for late in calendar year 2024 concluding the TCN deliverables from the contractor for the project.				
Notes				
1	With the BMS contract closed in March 2023 there is no remaining elements of the BMS scope in the BCS project			
2	TCN systems include the following communication nodes: General Service Vehicle (GSV) Node PMV-L x 108, Manoeuvre (MNV) Node M1A1 x 59, MNV Node M88 x 7, MNV Node PMV-L x 126, GSV Node MHC x 150, Command and Control Variant (C2V) Node PMV-M x 57, and C2V Node PMV-L x 33.			
3	As a project within LC4S Branch, LAND200-2 pays for its share of the workforce provided via this arrangement for the provision of above the-line professional services.			
4	Installation of LAND200-2 deliverables for Thales Australia Ltd Hawkei vehicles will be the subject of a separate procurement.			

2.4 Australian Industry Capability

Summary	
The project has no contracted Australian Industry Capability (AIC) targets for L3 Harris Communications Australia, or previously for the now concluded contract with Elbit Systems Ltd.	
Thales Australia Ltd. is supporting the BCS project under a separate procurement, their contracted public plans indicate opportunity for local industry involvement for software development, network simulation, logistics support, design modification and modelling services and proposed future opportunities available through Professional Networks and State Government Industry activities.	
There are no AIC targets or AIC Plan for Downer EDI Engineering Power Pty Ltd as they are one of several contractors under the CASG-wide MSP contract that provides above the line work force to projects.	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	TCN Systems Requirement Review	Jul 18	N/A	Aug 18	1	1
	BMS Systems Requirements Review	N/A	N/A	N/A	N/A	2
Preliminary Design	TCN Preliminary Design Review (PDR)	May 19	N/A	Sep 19	4	3
	BMS PDR (Various Reviews)	N/A	N/A	N/A	N/A	2
	M1A1/M88 PDR	Jan 20	N/A	N/A	N/A	4
	PMV-L PDR	Oct 21	N/A	Mar 23	17	5
	PMV-M PDR	Sep 19	N/A	Sep 21	24	6
	BCS PDR	Feb 21	N/A	Mar 23	25	7
Detailed Design	TCN Detailed Design Review (DDR)	Sep 19	Aug 20	Oct 20	13	8
	BMS R1 DDR	Nov 19	N/A	N/A	N/A	9
	BMS R1.1 DDR	Aug 20	N/A	N/A	N/A	10
	BMS R2 DDR	Nov 20	N/A	N/A	N/A	11
	DDR M1A1/M88	Jul 20	N/A	Dec 20	5	4
	DDR PMV-L	Jan 22	N/A	NFP	NFP	5
	DDR PMV-M	Feb 21	N/A	N/A	N/A	6
BCS DDR	Jun 21	N/A	NFP	NFP	7	
Note						
1	System Requirements Review was delayed due to the rejection by the Commonwealth of the System Specification when first submitted for approval and the need for revisions by the contractor.					
2	There is no discrete BMS Systems Requirements Review. BMS software did not follow the traditional Systems Engineering Review process. The Commonwealth implemented a series of software specific agile reviews. In March 2023, Elbit Systems Ltd and the Commonwealth agreed to reduce the scope of LAND200-2, so as to exclude that which is undeliverable for reasons of schedule, GFE availability and continued Commonwealth priority. This indicates that the					

	contract is complete and therefore planned future milestones post acceptance of R1.1 will no longer form part of the BCS schedule.
3	TCN Preliminary Design Review variance resulted from the late entry into and exit from the Systems Definition Review.
4	This scope item was originally planned to be delivered under the Elbit Systems Ltd contract, however, this was not able to be progressed because of an inability to obtain original design information from the United States (US) Original Equipment Manufacturer to allow for Weapons Integrated Battle Management System (WINBMS) development. Instead of a formal Provisional Design Review / DDR design, a tailored TCN Node has been installed in the Main Battle Tank/Armoured Recovery Vehicle (M1A1/M88). This was in response to an immediate obsolescence and risk mitigation request from Army Headquarters (AHQ), to replace radios in those platforms. This work was performed as an internal CASG Engineering Change Proposal, supported by L3 Harris Communications Australia. The full BCS node functionality will be realised in the M1A1/M88 by Final Materiel Release (FMR). A tailored design review was conducted to confirm the functional baseline into the platform.
5	CCP078 to the LAND121 Phase 4 Acquisition Contract with Thales Australia Ltd was signed in May 2021. LAND200-2 intended to contract Thales Australia Ltd to install the LAND200-2 BCS integration design solution within Hawkei vehicles. Installation of the BCS nodes within Hawkei vehicles will be the subject of a separate procurement.
6	This was a BMS related design milestone. This reduction in scope removed this milestone from project scope. Instead, alignment of the LAND200-2 and the Protected Mobility Integration and Capability Assurance (PMICA) Non-Recurring Engineering (NRE) design requirements and installation will be performed by Thales Australia Ltd. L3 Harris Communications Australia will be engaged as a subcontractor to Thales Australia Ltd.
7	The Commonwealth was originally the PSI responsible for the integration of the BMS and the TCN to realise the BCS. This was not supported by a contracted milestone because this is an internal to Commonwealth responsibility. The achievement of this milestone was not dependent upon the achievement of platform Design Reviews. All BCS milestones are under evaluation now that the Elbit Systems Ltd BMS contract is concluded and the L3 Harris Communications Australia TCN delays have been resolved.
8	For the TCN DDR the contract date was updated with the approval of TCN CCP021. Stop Payments were invoked in October 2020 due to an inability to achieve the exit criteria associated with the DDR milestone. The Commonwealth worked with L3 Harris Communications Australia to achieve the exit criteria and the Stop Payment condition was lifted in late October 2020.
9	BMS R1 DDR milestone event was delayed due to delayed completion of key design artefacts that were required to accurately describe the R1 capability. The reduction in scope removed this milestone from project scope.
10	A BMS software R1.1 was required due to a change in requirements requested by the Commonwealth. This was confirmed at BMS CCP004. The Commonwealth noted a number of Action Items requiring remediation at the conclusion of the DDR milestone. The Commonwealth endorsed progress to commence Test & Evaluation activities in order for the program to progress through the Software Readiness Review 1.1 milestone. The reduction in scope removed this milestone from project scope.
11	The Commonwealth implemented a change to the hosting for the secure environment from the Defence Secret Network to the Mission Partner Environment (MPE), requiring revised work requirements Delay of Release 2 (R2) DDR is linked to the delay in delivery of R1.1, as well as issues with external interdependencies. The reduction in scope removed this milestone from project scope. As R1.1 was the final deliverable agreed between the CoA and Elbit Systems Ltd there are no further R2 requirements for the Elbit Systems Ltd contract. Considering the contract with Elbit Systems Ltd has concluded this milestone will not be delivered under this contract.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	TCN Acceptance Test & Evaluation (AT&E)	May 21	N/A	N/A	N/A	1
	BMS R1 AT&E	Jun 19	N/A	Mar 20	9	2
	BMS R1.1 AT&E	Aug 20	N/A	N/A	N/A	3
	BMS R2 AT&E	Dec 20	N/A	N/A	N/A	4
	M1A1/M88 Platform Integration AT&E	Apr 21	N/A	NFP	NFP	5
	PMV-L AT&E	Jan 22	N/A	N/A	N/A	6
	PMV-M AT&E	Feb 20	N/A	N/A	N/A	7
	BCS AT&E	Oct 21	N/A	NFP	NFP	8
Acceptance	TCN System Acceptance	Jun 20	Aug 21	N/A	N/A	9
	BMS Acceptance R1	Jan 20	N/A	Mar 20	3	10
	BMS Acceptance R1.1	Sep 20	N/A	N/A	N/A	5, 8
	BMS Acceptance R2	Mar 21	N/A	N/A	N/A	4
	M1A1 Tank	Feb 22	N/A	N/A	N/A	5
	M88	May 22	N/A	N/A	N/A	5
	PMV-L	May 22	N/A	N/A	N/A	6
	PMV-M	Apr 21	N/A	N/A	N/A	7
BCS Acceptance	May 22	N/A	NFP	NFP	8	

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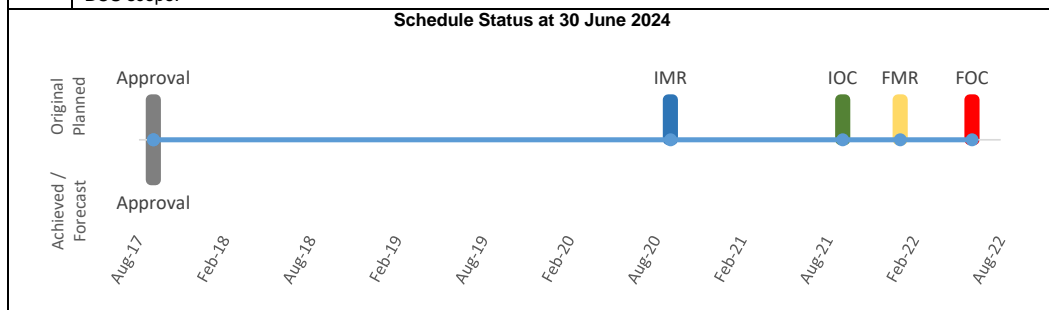
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Note	
1	TCN System Integration delay was directly driven from delays to progress through the Test Readiness Review (TRR), a condition influenced by L3 Harris Communications Australia inability to meet the TRR entry criteria, and by the Commonwealth's inability to deliver some of the Government Furnished Materiel (GFM). The CoA did not approve remediation planning and the Commonwealth and L3 Harris Communications Australia have gone through a program of resolution to redefine the contract. The Commonwealth and the Contractor are now working to deliver the remaining elements of the TCN project to a revised schedule for hardware deliveries without any network acceptance activities.
2	Upon approval of the updated MAA there will be no further BMS milestones in the schedule.
3	CoA and Elbit Systems Ltd agreement to accept R1.1 as it existed on 30 June 2022 removes the requirement for further Test and Evaluation. Upon approval of the updated MAA there will be no further BMS milestones in the schedule.
4	Upon approval of the updated MAA there will be no further BMS milestones in the schedule.
5	As the contract with Elbit Systems Ltd is concluded this scope item will not be performed under the BCS project.
6	CCP078 to the LAND121 Phase 4 Acquisition Contract with Thales Australia Ltd was signed in May 2021. LAND200-2 intend to contract Thales Australia Ltd to install the LAND200-2 BCS integration design solution within Hawkei vehicles. Installation of the BCS nodes within Hawkei vehicles will be the subject of a separate procurement activity.
7	This scope item will not be performed under the Elbit Systems Ltd contract. Instead, alignment of the LAND200-2 and the PMICA, NRE design requirements, including installation, will be subject to a separate procurement. These design activities originally represented integration milestones with the dependent vehicle platform projects and are not part of LAND200-2 Tranche 2 scope. Vehicle installation activities will be part of a separate procurement activity.
8	The Commonwealth is the PSI responsible for the integration of the BMS and the TCN to realise the BCS. This is not supported by a contract because this is an internal Commonwealth responsibility. The achievement of this milestone is not dependent upon the achievement of platform acceptance. Note that the BMS contract has concluded. Key BCS Acceptance Milestone drivers therefore cannot be met which is causing further delay to the current schedule achievement of this event.
9	TCN System Acceptance was affected by delays in the availability of some GFM and further delays in milestones. The TCN System Acceptance milestone was updated with CCP021. TCN System Acceptance has been further delayed because of contractor delays in the completion of test procedures required for entry into AT&E. CCP037, a remediation plan designed to address these delays was rejected by the Commonwealth in April 2022. L3 Harris Communications Australia was directed to re-submit this remediation plan. The resubmission was received in July 2022 and rejected by the Commonwealth in September 2022. Post these issues and with CCP040 no agreed to have provided resolution of commercial issues this milestone will no longer be relevant to the BCS contract.
10	The delay to the Software Release Review and associated acceptance for BMS R1 resulted from delays in achieving the R1 Software Design Review / TRR. Upon approval of the updated MAA there will be no further BMS milestones in the schedule as the contract with Elbit Systems Ltd has been concluded.

3.3 Progress toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Sep 20	NFP	NFP	1, 2
Initial Operational Capability (IOC)	Sep 21	NFP	NFP	1, 2
Final Materiel Release (FMR)	Jan 22	NFP	NFP	1, 2
Final Operational Capability (FOC)	Jun 22	NFP	NFP	1, 2


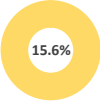

Notes	
1	IOC and FOC delays were being driven by the time required to resolve commercial the issues. With these issues now addressed a new MAA will establish refined IOC/FOC definitions and the updated schedule will reflect the new plan for delivery. Many old milestones, such as the BMS and TCN activities defined prior to the resolution of the project delays are now no longer relevant to the delivery of the remaining elements of scope for the project.
2	The forecast achievement of these milestones is expected to change as a result of the new plan to deliver the remaining BCS scope.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
 <p>60.5%</p>	<p>Green: The project expects to fully meet a number of Capability Materiel Releases as expressed in the Materiel Acquisition Agreement with the exception of the items referred to in the Red section below. Elbit Systems Ltd and the Commonwealth agreed to reduce the scope of LAND200-2 to exclude items that were undeliverable for reasons of schedule, GFE availability and continued Commonwealth priority. The collaborative finalisation of the commercial matters with L3 Harris Communications Australia now enables the update of the graphic representation of capability delivery with certainty against the original approved scope of the BCS.</p>
 <p>15.6%</p>	<p>Amber: Aligned to the project risks in section 5 of this Project Data Summary Sheet (PDSS) the remaining areas of capability that are at risk is the installation of the LAND200-2 hardware into designated PMV-M (GW) Bushmaster and PMV-L Hawkei to enable IOC and FOC definitions to be met.</p>
 <p>23.9%</p>	<p>Red: BMS and TCN elements of the BCS capability that will not be delivered have now been defined with certainty and reflect 23.9% of the original project scope for the BCS. The project will not deliver the WINBMS capability. The 38 PMV-M GW vehicles originally within the project's scope will now be delivered by the LAND4111 Project, this will be confirmed in the updated MAA and reflected in next year's PDSS. These platforms are not yet represented in this 23.9%.</p>
Note	
<p>This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Report.</p> <p>With the Elbit Systems Ltd contract now concluded and commercial matters resolved with L3 Harris Communications Australia the overall outcome for capability delivered is included in the assessment above. The measures of Materiel Capability/Scope Delivery Performance comprise the combined BMS and TCN capabilities against the original MAA. The materiel capability and scope as at 30 June 24 is reflective of the contractual arrangements that have defined the Materiel Release deliverables from the original MAA.</p>	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<p>IMR comprises the delivery of:</p> <ul style="list-style-type: none"> Foundation Training Classroom requirements. Training Integration Syndicate Rooms. BMS Headquarters hosted on MPE. BGC3 Training Assemblage. BMS Simulator. MNV Nodes fitted to 16 M1A1 Tanks. MNV Nodes fitted to 2 M88 Hercules. C2V Nodes fitted to 11 PMV-L Hawkei. MNV Nodes fitted to 42 PMV-L Hawkei. GSV Nodes fitted to 36 PMV-L Hawkei. GW Nodes fitted to 19 PMV-M Bushmaster. GSV Node fitted to 50 MHC Trucks. <p>Forecast dates for IMR are NFP.</p>	Not yet Achieved
Initial Operational Capability (IOC)	<p>IOC incorporates the components of Fundamental Inputs to Capability (FIC) sufficient to constitute an operational capability:</p> <ul style="list-style-type: none"> Commander and staff in a BHQ are able to use the BMS to support the planning and conduct of operations. The data network includes sufficient material to support a Battle Group (BG) sized force to plan and conduct operations using the BMS and WINBMS. The TCN is established using Tranche 1 and Tranche 2 solutions to support a BG deployment. The BMS is able to interface with Joint Conflict and Tactical Simulation and Virtual Battlespace Simulator systems to establish an initial simulation system. Capability Manager sign-off of IOC. <p>Forecast dates for IOC are NFP.</p>	Not yet Achieved
Final Materiel Release (FMR)	<p>FMR comprises the delivery of:</p> <ul style="list-style-type: none"> Foundation Training Classroom requirements. Training Integration Syndicate Rooms. BMS HQ hosted on MPE. BGC3 Training Assemblage. BMS Simulator MNV Nodes fitted to 59 M1A1 Tanks. MNV Nodes fitted to 7 M88 Hercules. 	Not yet Achieved

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	<ul style="list-style-type: none"> • C2V Nodes fitted to 33 PMV-L Hawkei. • MNV Nodes fitted to 126 PMV-L Hawkei. • GSV Nodes fitted to 108 PMV-L Hawkei. • GW Nodes fitted to 57 PMV-M Bushmaster. • GSV Node fitted to 150 MHC Trucks. <p>Forecast dates for FMR are NFP.</p>	
Final Operational Capability (FOC)	<p>FOC incorporates the components of FIC sufficient to constitute full operational capability.</p> <ul style="list-style-type: none"> • Each of Army's three Combat Brigades has one digitised BG and a small number of combat support vehicles. • Defence will be able to deploy a digitised BG and BHQ. • Defence could also configure and group all three BG under the digitised BHQ, all at the same readiness notice. • Capability Manager sign-off of FOC. <p>Forecast dates for FOC are NFP.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a schedule risk associated with being unable to realise the intended BCS Capability at IMR because of the BMS Project scope reduction and the schedule delays in the TCN Project.	A CCP was required to reset the baseline for the TCN Project. With the Elbit Systems Ltd BMS contract closed (via CCP030) and the L3 Harris Communications Australia TCN scope refined through the agreement of CCP040 this risk can be retired as the BCS IMR milestone is no longer relevant to the remaining project scope defined in those agreements.
2	There is a risk that installation of the LAND200-2 scope on PMV-M GW vehicles will be beyond the project's remaining uncommitted budget availability, with the result that a call on contingency will be necessary to fund this work.	Budget activities for FY 2023-24 governance will address funds for this task. Separate procurement activities will treat this risk.
3	There is a risk that installation of the LAND200-2 scope on PMV-L vehicles will be beyond the Project's remaining uncommitted budget availability, with the result that a call on contingency will be necessary to fund this work.	Budget activities for FY 2023-24 governance will address funds for this task. Separate procurement activities will treat this risk.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	There is a schedule risk due to the length of time to achieve security accreditation of TCN software it may delay the achievement of TCN Systems Acceptance.	This was previously reported as a risk and prior to CCP040 agreement was managed as an issue. Due to Software being delivered as an Engineering Release and no longer forming part of the system through agreement CCP040 this issue has been retired.
2	There is a delay to TCN System Acceptance (SA) stemming from an inability to exit the TRR.	Post CCP040 endorsement there is no System being delivered. With remaining scope focussed on 'Hardware Only' deliveries and Software being delivered as Engineering Releases there is no longer a SA milestone in the CCP040 agreement. This issue has been retired.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence Instructions and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons Information contained within the Defence Lessons Repository (DLR). The project has captured 40 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Lesson. Projects and Programs involving multiple contracts for delivery of capability must establish clear strategies and alignment for integration requirements across the complete scope of work. Contractual mechanisms to align obligations between parties is essential where integrated solutions to deliver Defence capability is necessary.	Commercial Management
DLR Lesson Type – Lesson. Project and Program performance must be proactively managed through application of valid data to address performance. A clear understanding of the importance of performance data to the effective management of scope delivery is essential between parties. Data quality and schedule integrity enhances project predictability, reduces risks, and improves the likelihood of delivering defence capability.	Program, Project & Product Management
DLR Lesson Type – Lesson. Options to 'off ramp' scope elements that display unrecoverable deviation from the approved baseline must be unambiguously articulated within a 'risk sharing' partnership. A culture that encourages acceptable capability solutions to be delivered at the time they are required is essential for timely delivery of Minimum Viable Capability to the Capability Manager.	Commercial Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Joint Systems
Branch	Land Command, Control, Communications and Computer Systems

Project Data Summary Sheets

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Project Data Summary Sheet¹

Project Number	LAND400 Phase 2
Project Name	MOUNTED COMBAT RECONNAISSANCE CAPABILITY
First Year Reported in the MPR	2019–20
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 14
Government 2nd Pass Approval	Mar 18
Budget at 2nd Pass Approval	\$5,762.7m
Total Approved Budget (Current)	\$5,774.7m
2023–24 Budget	\$492.9m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND400 Phase 2 will acquire the Boxer 8x8 Combat Reconnaissance Vehicle (CRV) to meet Army's land combat reconnaissance requirements. The project is approved to acquire 211 vehicles, additional modules, training systems and support systems to replace the in-service capability provided by the Australian Light Armoured Vehicle.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$369.3m against the FY 2023-24 budget of \$492.9m. The year-end (YE) variance is primarily due to a delay to production progress, delivery and acceptance of Block II Reconnaissance Vehicles and Mandated System Review Milestones.

Project Financial Assurance Statement

As at 30 June 2024, LAND400 Phase 2 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 has not applied contingency in FY 2023-24.

Schedule Performance

The project has successfully achieved both Initial Materiel Release (IMR) (with exceptions) and Initial Operational Capability (IOC). The project schedule was adjusted in 2023 (resulting in increased variance to some milestones) to incorporate a series of contractual changes, principally focused on incorporating capability improvements and addressing supply chain delays and workforce availability. The project experienced delays in the exit of some design reviews and is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure the achievement of Final Operational Capability (FOC) is to be advised (TBA), however is at high risk.

On the 21 March 2024, the Heavy Weapon Carrier Procurement Agreement was signed and through the negotiation process, the legal and commercial arrangements between Australia and Germany included relevant conditions to ensure that LAND400 Phase 2 will have schedule priority over, and not be negatively impacted by the production of the German Heavy Weapon Carrier vehicles.

Materiel Capability/Scope Delivery Performance

The project achieved IMR with exceptions in June 2021 and achieved IOC in June 2022. Final Materiel Release (FMR) and FOC scope has had no materiel change.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

1.3 Project Context

Background
 Government First Pass Approval occurred in December 2014 for a replacement CRV. An assessment prior to First Pass Approval identified that current Military-Off-The-Shelf solutions were unlikely to meet all of Army's capability requirements. Government Second Pass Approval occurred in March 2018 with Rheinmetall Defence Australia Pty Ltd as the preferred tenderer to deliver the Australianised Boxer 8x8 CRV. In August 2018, Defence signed the acquisition contract for 211 Boxer CRV, to be delivered in two blocks.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As the new process was introduced after LAND400 Phase 2 had approached the market, it was not feasible to implement it within the timeframe available.

In June 2022, Defence, through acceptance of the Block I Boxer CRV achieved IOC on schedule. The Block II Boxer CRVs will be substantially built and assembled in Australia consistent with the transition of technology, manufacturing techniques and assembly line production to Australia. There will remain some vehicle subsystems for which the transfer of manufacture or assembly from Europe to Australia is not cost-effective and will continue to be sourced from Europe. Final assembly, integration, set to work, and testing of these elements will occur in Australia. Selected low-volume CRV variants will continue to be assembled in Germany.

In June 2023, the project was elevated to the Capability Acquisition and Sustainment Group (CASG) Group Watch List due to project complexity and the growing risk to schedule for the delivery of Block II vehicles.

On the 14 December 2023, Defence advised via letter that the stop payment related to Recovery Detailed Design Review (DDR) was released with the formal submission of the DDR entry criteria assessment.

On 27 June 2024, the project was elevated to a Project of Interest (POI) due to the complexity associated with the parallel delivery of LAND400 Phase 2 and the German Boxer Heavy Weapon Carrier Procurement agreement, together with ongoing schedule pressure on LAND400 Phase 2 to achieve its FOC milestone.

The project continues to work intensively within Rheinmetall Defence Australia Pty Ltd through an Integrated Baseline Review to establish an assured project baseline with exit subject to the demonstration of consistent performance against the proposed baseline. Together with the conduct of the next Independent Assurance Review planned to be conducted in Quarter 4 2024, from which POI exit criteria and governance milestones will be measured. The project expects if all exit criteria are met that the earliest opportunity to meet exit criteria would be December 2025.

The Boxer CRV will form part of Army's modernised Armoured Fighting Vehicle capability, until its life-of-type.

Uniqueness
 LAND400 Phase 2 is unique for two reasons. Firstly, Australia is the first nation acquiring a Boxer vehicle with a manned-turret, a variant that other countries have expressed an interest in. Secondly, the project is acquiring a uniquely designed Reconfigurable Driver Training Simulator – a system that was designed in Australia, won an Essington-Lewis Award for the best minor acquisition under \$50.0m million in 2020, and is attracting global interest for follow-on sales.

Major Risks and Issues
 The project is currently managing the following Major Project Risks:

- Failure to achieve FOC on schedule.
- The project during the reporting period has retired this risk and raised an emergent risk for 'the integration of Active Protection System causes Schedule Delay'.

The project is currently managing the following Emergent Risks:

- The Repair variant fails to Enter Preliminary Design Review (PDR) on Schedule.
- The Reconnaissance variant fails to meet reliability requirements.
- The concurrent Verification and Validation activities overlap for Recovery, Command and Control and Joint Fires / Surveillance variants.
- The integration of Active Protection System causes Schedule Delay.

The project is currently managing the following issues:

- Training equipment fails to enter DDR on schedule. The project during the reporting period has retired this risk.
- The Recovery Variant fails to Exit DDR on schedule.
- The integration of the Digital Terminal Control System into the Joint Fires variant.
- The availability of permanent facilities for the Combat Reconnaissance Vehicle training equipment.
- The Verification and Validation Program delays impact Reconnaissance Block II Training readiness Review.
- The project is managing a small quantity of residual issues associated with IMR exceptions and Block I Technical issues.

Other Current Related Projects/Phases
LAND200 Tranche 2 - Battlefield Command Systems. LAND400 Phase 2 is funding and delivering an interim Battlefield Management System (BMS) and Tactical Communications Network (TCN) capabilities that are required to be interoperable with the LAND200 Tranche 2 system. The LAND200 Tranche 2 project preceded LAND400 Phase 2 project approval. As a result, the LAND200 Tranche 2 scope related to the delivery of Army's BMS and TCN capabilities did not include the funding of LAND200 Tranche 2 equipment into the LAND400 Phase 2 CRV Boxer platform. The LAND200 Tranche 2 project is listed as a dependency from the perspective that the LAND400 Phase 2 interim BMS and TCN capabilities need to be interoperable with the final LAND200 BMS and TCN solution. LAND400 Phase 2 has not been notified of the date for the delivery of the final LAND200 BMS and TCN solution.

LAND154 Phase 2 - Joint Counter Improvised Explosive Device Capability. Force Protection Electronic Counter Measures solution integrated into the CRV as Government Furnished Equipment.

Note
 Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 14	Original Approved (Government First Pass Approval)	116.7	
Mar 18	Government Second Pass Approval	5,646.0	
	Total at Second Pass Approval	5,762.7	
Jun 24	Exchange Variation	12.0	
Jun 24	Total Budget	5,774.7	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(2,037.5)	
	Contract Expenditure – NIOA Pty Ltd	(90.3)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	(27.3)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(12.7)	
	Contract Expenditure – Varley Rafael Australia Pty Ltd	(0.7)	
	Other Contract Payments / Internal Expenses	(252.1)	1
		(2,420.6)	
FY to Jun 24	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(308.2)	2
	Contract Expenditure – NIOA Pty Ltd	(5.9)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	(4.9)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(2.0)	
	Contract Expenditure – Varley Rafael Australia Pty Ltd	(1.1)	
	Other Contract Payments / Internal Expenses	(47.2)	3
		(369.3)	
Jun 24	Total Expenditure	(2,789.9)	
Jun 24	Remaining Budget	2,984.8	
Notes			
1	Other Expenses are for Project Office Administration (\$80.1m), Command, Control, Communications, Computers and Intelligence (C4I) (\$78.2m), Risk Mitigation Activity Contracts with Rheinmetall Defence Australia Pty Ltd Landsystem GmbH and BAE Systems Australia Pty Ltd (\$50.0m), Extended Payment Terms Finance Charge (\$23.9m), German Quality Assurance (\$4.0m), Test and Evaluation (\$3.9m), Support Contract (\$3.6m), Support (\$3.5m), Anti-Tank Guided Missile (\$1.5m), Other (\$1.0m), Risk Mitigation Activity – Other (\$0.9m), Customs Duty (\$0.9m) and Remote Weapon Station – Block I (\$0.6m).		
2	Milestone 070 was not achieved by 14 May 2023, and the Commonwealth invoked a Stop Payment on 7 June 2023. The Stop Payment had no impact to expenditure for 30 June 2024 as it was lifted on 14 December 2023, only affecting payments to Rheinmetall Defence Australia Pty Ltd contract, over that period.		
3	Other Expenses are for Project Office Administration (\$18.4m), C4I (\$16.6m), Anti-Tank Guided Missile (\$5.3m), Active Protection System (\$3.1m), Other (\$0.7m), Support (\$0.6m), Trailers (\$0.6m), German Quality Assurance (\$0.5m), Training (\$0.4m), Test and Evaluation (\$0.3m), Extended Payment Terms Arrangement (\$0.3m), Integrated Logistics Support(ILS) Equipment (\$0.2m) and Customs Duty (\$0.2m).		

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
812.3	612.5	492.9	<p><u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u>: The variation from PBS to PAES is primarily due to a combination of production and manufacturing delays in Europe, the impact of COVID-19 on supply chains in both Europe and Australia, and foreign exchange movements. The delays have resulted in the rescheduling of contract Milestones, including integration activities, and deliveries for equipment and spares.</p> <p><u>PAES to Final Plan</u>: The variation from PAES to Final Plan is primarily due to the timing of various Rheinmetall Defence Australia Pty Ltd milestones, spares, integrated logistics costs and other activities.</p>
Variance \$m	(199.8)	(119.6)	Total Variance (\$m): (319.4)
Variance %	(24.6)	(19.5)	Total Variance (%): (39.3)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(116.4)	Australian Industry	<p>The YE under achievement of \$123.5m is primarily due to delays to:</p> <ul style="list-style-type: none"> Production progress, delivery and acceptance of Block II Reconnaissance Vehicles and Mandated System Review Milestones. Antenna Suite (Rover 6S Wedding cake). Active Protection System (APS) development. Recommended Provisioning List equipment. Contractor Support (less than anticipated costs). Remote Weapon Station design, testing and development.
		(2.4)	Foreign Industry	
		-	Early Processes	
		(4.7)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
492.9	369.3	(123.5)	Total Variance	
		(25.1)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
NIOA Pty Ltd	Jul 18	47.3	100.0	Firm or Fixed	Standard Defence Contract	4
Rheinmetall Defence Australia Pty Ltd	Aug 18	3,890.2	3,911.5	Firm or Fixed	Standard Defence Contract	1, 3
Universal Motion Simulator Pty Ltd	Dec 18	29.1	32.1	Firm or Fixed	Standard Defence Contract	-
EOS Defence Systems Pty Limited	Dec 19	50.2	62.0	Firm or Fixed	Standard Defence Contract	2, 3
Varley Rafael Australia Pty Ltd	May 23	45.7	47.4	Firm or Fixed	Standard Defence Contract	5
Notes						
1	Contract value as at signature is based on PBS 2018-19 budgeted exchange rates. The commitment value included price escalation estimates.					
2	Contract value as at signature is based on Mid-Year Economic and Fiscal Outlook 2019-20 budgeted exchange rates. The commitment value included price escalation estimates.					
3	The price at 30 June 2024 is \$21.3m higher than the price at Rheinmetall Defence Australia Pty Ltd contract signature due to contract changes, exchange rate variation and price escalation. The price at 30 June 2024 is \$11.8m higher than the price at EOS Defence Systems Pty Limited contract signature due to contract changes, exchange rate variation and price escalation.					
4	Contract value as at signature reflects initial order quantity only not current value including additional purchase orders.					
5	Contract value as at signature is based on PBS 2023-24 budgeted exchange rates.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
NIOA Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Rheinmetall Defence Australia Pty Ltd	211	211	CRV, 12 Mission Modules, Support and Test Equipment and Training Equipment.	1

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Universal Motion Simulator Pty Ltd	6 1	6 1	Reconfigurable Driver Simulator – Fixed Part Task Trainer – Reconfigurable Driver Simulator.	-
EOS Defence Systems Pty Limited	82	82	Remote Weapon Station.	-
Varley Rafael Australia Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Major equipment accepted and quantities to 30 Jun 24				
As at 30 June 2024:				
<ul style="list-style-type: none"> 25 x CRV Block I and 1 x CRV Block II has been accepted. A classified quantity and variety of Explosive Ordnance has been accepted. 6 x Reconfigurable Driver Simulators and 1 x Trainer have been accepted. 				

Notes	
1	In FY 2019-20, the quantity reported at contract signature was 223 – this figure included 211 CRV and the 12 additional Mission Modules. This figure has been updated to 211 to more correctly define the number of complete CRV.

2.4 Australian Industry Capability

Summary	
<p>The project has no contracted Australian Industry Capability (AIC) targets with NIOA Pty Ltd as the contract is managed by Land Explosive Ordnance. NIOA Pty Ltd has an AIC plan that maximises Australian Industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.</p> <p>The project has contracted AIC targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in Rheinmetall Defence Australia Pty Ltd AIC Plans in the support of their design, manufacturing, integration, ILS and Project Management activities.</p> <p>The project has contracted AIC targets with Universal Motion Simulator Pty Ltd. Universal Motion Simulator Pty Ltd has an AIC plan that maximise Australian Industry involvement across Design Development, Production Activities, ILS, Contractor Data Requirement Lists and Project Management Office activities.</p> <p>The project has contracted AIC targets with EOS Defence Systems Pty Limited. EOS Defence Systems Pty Limited has an AIC plan that maximise Australian Industry involvement across the Design Development, Production, Contractor Data Requirement Lists and Project Management Office activities.</p> <p>The project has no contracted AIC targets with Varley Rafael Australia Pty Ltd as the contract is managed by Land Explosive Ordnance. Varley Rafael Australia Pty Ltd has an AIC plan that maximises Australian Industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.</p>	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	Block I – Multi Purpose Vehicle	N/A	N/A	Nov 18	N/A	1, 2
	Block I – Reconnaissance	Nov 18	N/A	Nov 18	0	1
	Block II – Joint Fires and Surveillance	Jul 19	N/A	Jul 19	0	1
	Block II – Command and Control	Jun 19	N/A	Jul 19	1	1
	Block II – Reconnaissance	Jan 19	N/A	Feb 19	1	1
	Block II – Repair	Aug 19	Oct 19	Sep 19	1	1
	Block II – Recovery	Feb 19	N/A	Feb 19	0	1
Preliminary Design	Block I – Multi Purpose Vehicle	N/A	N/A	Jan 19	N/A	1, 2
	Block I – Reconnaissance	May 19	N/A	May 19	0	1
	Block II – Joint Fires and Surveillance	Dec 20	Jan 23	May 23	30	1, 3, 9
	Block II – Command and Control	Jul 20	Jan 23	May 23	34	1, 4, 9
	Block II – Reconnaissance	Jul 19	N/A	Sep 19	2	1, 3, 5
	Block II – Repair	Dec 21	May 23	Jun 25	42	1, 9, 10
	Block II – Recovery	Feb 20	Sep 22	Aug 22	30	1, 6, 9
Critical Design	Block I – Multi Purpose Vehicle	Jan 19	N/A	Aug 19	7	1, 2, 7
	Block I – Reconnaissance	Oct 19	N/A	Nov 19	1	1
	Block II – Joint Fires and Surveillance	Nov 21	Oct 23	NFP	NFP	1, 3, 9, 10

	Block II – Command and Control	Apr 21	Oct 23	NFP	NFP	1, 4, 9, 10
	Block II – Reconnaissance	May 20	May 22	Aug 22	27	1, 8, 9
	Block II – Repair	Sep 22	Feb 24	NFP	NFP	1, 9, 10
	Block II – Recovery	Mar 21	May 23	Sep 24	42	1, 9, 10
Notes						
1	The date represents the exit of the Design Review.					
2	The Multi-Purpose Vehicle was only required to conduct a DDR.					
3	Delay was due to the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals (CCP), uncertainty with the load list, and delays associated with the Command and Control variant.					
4	Delay was due to a combination of the introduction of the Electronic Architecture and COVID-19 CCPs, and uncertainty with the load list.					
5	Delay was due to a failure to satisfy all PDR requirements which resulted in Defence invoking a Stop Payment in July 2019 – this has now been lifted.					
6	Delay was due to a Commonwealth request for a risk reduction activity (in the form of a capability demonstration) to be incorporated into the review.					
7	Delay was due to the late achievement of PDR and an underestimation of the time required to implement the design changes following the fitment exercise.					
8	Delay was due to a combination of the Stop Payment (in July 2019) – Note 5 refers; the introduction of the Electronic Architecture and COVID-19 CCPs; the entry criteria for this activity not being met; and failure to exit the design review on schedule.					
9	The additional variance is due to the execution of CCP026 which incorporated a series of capability improvements and addressed further COVID-19 delays.					
10	The variance for FY 2023-24 was due to supply chain issues and also the ability of the main contractor to adequately resource the program with appropriately skilled resources.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration and Acceptance	Block I – Multi Purpose Vehicle	Oct 20	N/A	Dec 20	2	1, 2
	Block I – Reconnaissance	Oct 20	N/A	Jun 21	8	1, 2
	Block II – Joint Fires and Surveillance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
	Block II – Command and Control	NFP	NFP	NFP	NFP	1, 3, 5, 6
	Block II – Reconnaissance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
	Block II – Repair	NFP	NFP	NFP	NFP	1, 3, 5, 6
	Block II – Recovery	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
Notes						
1	Dates specified are based on acceptance of the final delivery for each variant.					
2	Delivery was delayed due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.					
3	The variance is due to a combination of technical changes made to all variants and the impact of COVID-19 in both Europe and Australia.					
4	While the forecasts are earlier than currently contracted, the milestones have still slipped overall compared to the previously reported forecasts.					
5	The variance for FY 2023-24 relates to supply chain issues and the ability of Rheinmetall Defence Australia Pty Ltd to adequately resource the program with appropriately skilled resources.					
6	The forecast dates are from Rheinmetall Defence Australia Pty Ltd Contract Master Schedule V31.2, which is the basis of the proposed baseline from Integrated Baseline Review (IBR). This baseline is yet to be approved by the Commonwealth and is subject to IBR negotiations, which will commence in June 2024.					

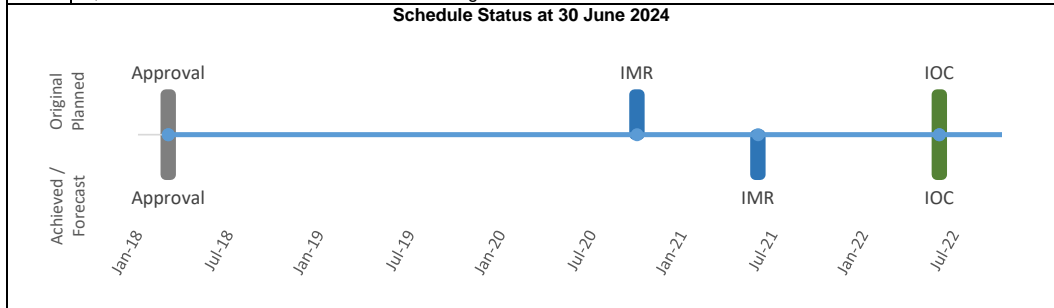
3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 20	Jun 21	8	1, 2, 3
Initial Operational Capability (IOC)	Jun 22	Jun 22	0	1, 4
Final Materiel Release (FMR)	NFP	NFP	NFP	1, 6
Final Operational Capability (FOC)	NFP	NFP	NFP	1, 5, 6
Notes				
1	Refer to Section 4.2 for definitions of these milestones.			
2	The variance is due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.			
3	IMR was met with the delivery of 21 vehicles to the 7 th Brigade in June 2021. IMR was declared with three exceptions which are further explained in Section 5.2.			

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4	IOC was declared on 29 June 2022, when the first operationally-deployable CRV element (the first Mounted Combat Squadron) including mission, support and training systems, and facilities, if required, was delivered to the first Combat Brigade and support organisations, and accepted into service. The Block I vehicles experienced some technical issues during Operational Test and Evaluation activities, however these were not impediments to an IOC declaration – these are explained further in Section 5.2.
5	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure FOC is achieved on schedule, however is considered at high risk.
6	The outcomes of the update to the Materiel Acquisition Agreement (MAA) and the conduct of the IBR may have an impact on the Forecasted dates for FMR and FOC. The revision and approved Version 2 of the MAA is not expected until Quarter 4, 2024 with the outcomes of the Defence Strategic Review.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
<p>100%</p>	<p>Green: The project expects to meet the Materiel Capability Requirements as expressed in the MAA.</p>
<p>0%</p>	<p>Amber: N/A</p>
<p>0%</p>	<p>Red: N/A</p>
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	IMR occurred in June 2021 when 21 CRV mission systems were delivered to 7 th Brigade, Brisbane; and the initial contractor-provided logistics support arrangements were established. These included: user documentation, technical data, maintenance support, logistics instructions, engineering support, spares, and training systems.	Achieved with Exceptions
Initial Operational Capability (IOC)	IOC occurred on schedule in June 2022 when the first operationally deployable CRV element, including mission support, training systems and facilities, if required, were delivered to one Combat Brigade and support organisations, and accepted into operational service.	Achieved

Final Materiel Release (FMR)	FMR will occur with final delivery of the CRV capability. It includes: <ul style="list-style-type: none"> Delivery of all vehicles, spares and attrition, and simulation training enablers for the CRV capability to all gaining units. Logistics support arrangements, including: user documentation, technical data, maintenance support, logistics instruction, engineering support, spares, training systems and facilities. Forecast: TBA.	Not yet Achieved
Final Operational Capability (FOC)	FOC will occur when: <ul style="list-style-type: none"> The full scope of LAND400 Phase 2, including mission, support and training systems, and facilities (if required), has been delivered to the three Combat Brigades and support organisations, and accepted into operational service. Support arrangements are finalised in accordance with the ILS Plan. The three Armoured Cavalry Regiments are declared operationally ready by the Capability Manager (including training fleets, and spares and attrition stock vehicles). Forecast: TBA.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Failure to achieve FOC on schedule. There is a risk that FOC will not be achieved on schedule due to the combined impacts of COVID-19, technical difficulties, global supply chain disruption, and problems faced by Rheinmetall Defence Australia Pty Ltd.	The Commonwealth has worked intensively with Rheinmetall Defence Australia Pty Ltd to reduce delays. Despite this, the project assesses that achievement of FOC is currently a High risk and is being actively managed by Commonwealth and Industry senior leadership.
2	The risk is not for publication.	

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Block II – The Repair variant fails to Enter PDR on Schedule. There is a risk that Repair Variant design maturity level will impact PDR entry milestone dates.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to PDR during fortnightly Program Management Review meetings. The Commonwealth is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of PDR activities.
2	The Reconnaissance variant fails to meet reliability requirements. There is a chance that the Boxer CRV may fail to meet the contracted minimum reliability requirements, leading to an impact on the schedule.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage the Acceptance Verification and Validation activities designed to provide the required Reliability Availability Maintainability requirements.
3	The concurrent Verification and Validation activities overlap for Recovery, Command and Control and Joint Fires / Surveillance variants. The current schedule highlights the risk of concurrent Verification and Validation activities across all non-turreted vehicles. This could see a delay in Verification and Validation activities due to lack of staffing resources, facilities and external providers all being available concurrently.	The Commonwealth continues to work intensively with Rheinmetall Defence Australia Pty Ltd to provide an assured project baseline in order to mitigate potential risk to concurrent activities.
4	The integration of APS causes Schedule Delay. There is a risk that Rheinmetall Defence Australia Pty Ltd is unable to integrate the Army-preferred Active Protection System onto the CRV as it is not sufficiently mature.	The Commonwealth is working with Rheinmetall Defence Australia Pty Ltd to assess the cost, schedule, risk and capability impacts of integrating APS into all Block II Boxer CRV variants to inform considerations leading to a future solution.

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5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Training equipment fails to enter DDR on Schedule. There is a risk that delays in training equipment delivered by Rheinmetall Defence Australia Pty Ltd will impact project schedule and capability.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to seek assurance of the training equipment design maturity to enter into a DDR and also support a Training Readiness Review to meet the requirements of schedule and capability. This issue has been mitigated through the conduct of the DDR and is now retired.
2	The Recovery Variant fails to Exit DDR on Schedule. There is a risk that Recovery Variant design maturity level will impact achievement of DDR Exit.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to Exit DDR during fortnightly Program Management Review meetings. The Commonwealth is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of DDR activities.
3	The integration of the Digital Terminal Control System into the Joint Fires variant. There is an issue that the Joint Fires & Surveillance variant is unable to effectively conduct Joint Fires missions using a mounted or hosted NextGen Digital Terminal Control System leading to an impact on performance.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to enable the hosting of the Digital Terminal Control System Mission System software into the CRV Common Hosting Environment.
4	The availability of permanent facilities for the CRV training equipment. There is an issue of additional costs to the project in order to relocate training systems from interim facilities at Brisbane and Adelaide that are to be used while the permanent facilities are built.	The Commonwealth continues to work with the administrators for the St Hilliers voluntary administration to minimise the delays to the delivery of those affected Training facilities.
5	The Verification and Validation Program delays impact Reconnaissance Block II Training readiness Review. There is a chance that the Boxer CRV will fail to meet the contracted blast protection requirements, which may impact on cost, schedule, performance and safety.	The Commonwealth continues to work intensively with Rheinmetall Defence Australia Pty Ltd to provide an assured project baseline in order to mitigate potential risk to continued delays to the schedule and concurrent activities.
6	IMR Exceptions. IMR was declared with three exceptions relating to: <ul style="list-style-type: none"> The completion of Functional Configuration Audit and Physical Configuration Audit. The integration of electronic counter measures, and transportability studies including air transportability and integration with other Army vehicles. 	The project has completed remediation work to address the integration of electronic counter measures. The project expects to complete the remaining two exceptions in October 2023. The Physical Configuration Audit was completed on the 7 December 2022 and the Functional Configuration Audit was completed on the 23 February 2024. The Project retained the Air Transportability task anticipated for closure.
7	Block I Technical Issues. There is an issue that the Block I vehicles experienced some minor technical issues during introduction into use – issues like these are to be expected in a project of this size and complexity. Whilst the issues did result in increased risk being accepted by the Capability Manager, none were impediments to the declaration of IOC. The issues were associated with human factors, towing, and air transportability.	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to address these and is expected to be resolved in 2023 within the timeframes required by Army. The issue for the Block I towing has been resolved with the approval of the acceptance test report and approval of the Engineering Change Proposal. The human factors issues have been addressed with the approval of the Engineering Change for the Turret Software Upgrade. For the air transportability issue there is agreed way forward to resolve the issue.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 49 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Whole of capability focus – The project should establish and maintain a 'whole of capability' focus in delivering the Boxer CRV, including management of all fundamental inputs to capability and commonality and alignment across the support and training systems to retain its effectiveness in rapidly changing threat and technology environments.	Engineering & Technical
DLR Lesson Type – Observation. Capability Manager and stakeholder engagement are an essential part of the tender governance – arrangements should be established for regular participation of the 3-star Capability Manager and Deputy Secretary CASG in senior governance arrangements. It is recommended that each major acquisition program invite participation from Contestability Division, Joint Force Design, Industry Division and Defence Science and Technology at all levels of the Tender Evaluation Organisation.	Program, Project & Product Management
DLR Lesson Type – Observation. Industry engagement – Early engagement of 'Industry' (as one of the fundamental inputs to capability) is required to maximise Australian industry participation in delivering the capability. The requirements, guidance and parameters for industry involvement should be included in the tender documentation and facilitated industry engagement should be a standard part of any major acquisition project.	Engineering & Technical

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems Division
Branch	Armoured Fighting Vehicles Branch

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Project Data Summary Sheet¹

Project Number	LAND907 Phase 2 and LAND8160 Phase 1
Project Name	MAIN BATTLE TANK UPGRADE/ COMBAT ENGINEERING VEHICLE ACQUISITION
First Year Reported in the MPR	2022-23
Capability Type	Upgrade by Replacement & New
Capability Manager	Chief of Army
Government 1st Pass Approval	Oct 19
Government 2nd Pass Approval	Dec 21
Budget at 2nd Pass Approval	\$2,065.7m
Total Approved Budget (Current)	\$2,359.6m
2023–24 Budget	\$580.0m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

The two projects, LAND907 Phase 2 and LAND8160 Phase 1 are being progressed jointly as the Heavy Armour Capability System. LAND907 Phase 2 will upgrade the M1A1 Abrams Main Battle Tank (MBT) to M1A2 Abrams System Enhancement Package version 3 (SEPV3) MBT. The project will deliver 75 SEPV3 MBTs to Army. The upgrade will be by replacement so that Army’s MBT capability is maintained throughout the life of the project.

LAND8160 Phase 1 will deliver Combat Engineering Vehicles (CEV) and Armoured Recovery Vehicles (ARV):

- 29 new M1150 Assault Breacher Vehicles (ABV) for breaching minefields and other battlefield obstacles, and undertaking minor earthworks, all while the crew are protected inside the vehicle.
- 17 new M1110 Joint Assault Bridges (JAB) to enable gap crossing.
- Six additional M88A2 ARV for repair and recovery of vehicles on the battlefield.

Both projects will deliver training and simulation systems for their vehicles. The Immersive Tactical Trainer (ITT) is an SEPV3 MBT crew trainer that will be delivered in both a containerised version (ITT-C) for deployment to the field and a fixed version (ITT-F) for installation in buildings.

The MBT, CEV and ARV will be acquired through the United States Government (USG) Foreign Military Sales (FMS) program and the training and simulation systems are being developed by Australian industry.

1.2 Current Status

Cost Performance
In-year
 As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$629.8m against the FY 2023-24 budget of \$580.0m. The in-year variance is primarily due to the FMS arrangement with the USG and the unpredictable nature of the FMS program, associated with procurements of MBT, CEV and ARV. Earlier than contracted deliveries of ITT materials, Reconfigurable Driver Simulator escalation, Global Freight charges, Sea Transportation of Vehicles and a delay to the Reconfigurable Desktop Tactical Trainer contract signature contributed to this variance.

Project Financial Assurance Statement
 As at 30 June 2024, LAND907 Phase 2 / LAND8160 Phase 1 has reviewed the project’s approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 projects have not applied contingency in the FY 2023-24.

Schedule Performance
 The projects achieved Government First Pass Approval in October 2019 and Government Second Pass Approval in December 2021. A Materiel Acquisition Agreement (MAA) was approved in December 2022 between the Australian Army and Capability Acquisition and Sustainment Group (CASG) to document key milestones for the delivery and introduction into service of the MBT, CEV, ARV and training and simulation systems in line with government approval. As at 30 June 2024, 28 M1A2 Abrams SEPV3 MBT’s achieved production Acceptance in the United States (US), the M88A2 ARV exited Preliminary and Critical Design, along with the ITT exited Critical Design.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO’s review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

<p>The USG FMS materiel delivery program remains on schedule to deliver the MBT, CEV and ARV to achieve all MAA milestones. A three-month excusable delay to the delivery of the ITT has been agreed due to circumstances beyond the control of both projects and the contractor. This delay will neither affect the introduction into service training schedule, nor the achievement of any MAA milestones. During FY 2024-25, the SEPv3 MBT's, the M88A2 ARV and the M1110 JAB's are expected to achieve Acceptance and commence introduction into service. The project continues to work closely with its government partners in the US and its Australian Industry partners to monitor progress and identify any risk to schedule.</p>
<p>Overall, the project is on track to deliver all vehicles and training systems against all MAA milestones and government approval with the project currently working towards Initial Materiel Release and Initial Operating Capability.</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>As at 30 June 2024, the projects have not delivered any capability. However, from February 2023, the M1 Abrams seed stock, required for production, have been delivered to Anniston Army Depot in the US to be upgraded to MBT and CEV configurations. The projects on track to deliver its full scope of 75 SEPv3 MBT, 46 CEV, 6 ARV and simulation and training systems in accordance with Government approval and the agreed MAA.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>
<p>1.3 Project Context</p>
<p>Background</p> <p>LAND907 Phase 2 will acquire 75 upgraded, by replacement, SEPv3 MBT through the USG FMS program and associated training and simulation systems. LAND8160 Phase 1 will introduce into service new CEV, additional M88A2 ARV and associated training and simulation systems.</p> <p>A Smart Buyer workshop was conducted in February 2017 to identify the risks and drivers for the Project Execution Strategy, which identified integration, finance and in-service support as key drivers. At Gate 0 in June 2017, it was directed that the two projects be progressed jointly as the Heavy Armour Capability System. Smart Buyer workshops were conducted in May 2018 to support development of a combined Project Execution Strategy for these projects in the lead up to First Pass consideration. These workshops identified schedule, finance and in-service support as key focus areas for the Project Execution Strategy and Business Case. The projects achieved First Pass Government Approval in October 2019.</p> <p>In November 2020, Government Approval was given through the Defence biannual update to down select to a single MBT variant (M1A2 SEPv3 Abrams) and to procure 160 M1 Abrams vehicles, previously withdrawn from service in the US, for use as seed stock to be converted into MBT, ABV and JAB as they share a common M1 chassis. 160 base vehicles are required to produce 75 MBT, 29 ABV and 17 JAB as some attrition is expected during the re-build process.</p> <p>This approach supports Army meeting enduring MBT preparedness requirements with the in-service fleet, whilst the upgraded MBTs are built. It also achieves best value for money due to the high cost of transporting Australian MBTs to the US for upgrade.</p> <p>A Smart Buyer Environmental Scan Workshop was held in December 2020 to assist development of one element of the Project Execution Strategy. A full Smart Buyer process was not conducted as it was agreed by the program sponsor (Army) and program manager (CASG) that the previously approved strategies remained sound and provided an adequate basis for execution of the projects.</p> <p>The projects received Second Pass Approval from Government in December 2021.</p>
<p>Uniqueness</p> <p>The new generation of SEPv3 MBT variant includes enhancements to survivability, lethality, mobility and communications. Introducing a new capability to the ADF, the CEV will deliver an armoured engineering capability that addresses capability roles for assault breaching, armoured bridging and armoured engineering. Unique training simulators will be delivered by Australian industry through the acquisition of a Reconfigurable-Driver Simulator, SEPv3 MBT ITT and Reconfigurable-Desktop Tactical Trainer.</p>
<p>Major Risks and Issues</p> <p>The project is not currently managing any high or very high Issues or Risks.</p>
<p>Other Current Related Projects/Phases</p> <p>LAND907 Phase 1 – Tank Replacement Project. LAND907 Phase 2 is the successor to the LAND907 Phase 1 Tank Replacement Project, which delivered the M1A1 Abrams Integrated Management, Situational Awareness Abrams MBT.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Oct 19	Original Approved (Government First Pass Approval)	29.0	
Jan 21	Real Variation – Subsequent Government Approval	24.0	1
Dec 21	Government Second Pass Approval	2,012.7	
	Total at Second Pass Approval	2,065.7	
Jun 24	Exchange Variation	293.9	
Jun 24	Total Budget	2,359.6	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – FMS Case AT-B-ULU	(75.2)	
	Contract Expenditure – FMS Case AT-B-UKX	(11.9)	
	Contract Expenditure – Thomas Global Systems Australia	(11.9)	
	Contract Expenditure – FMS Case AT-B-ULX	(8.8)	
	Contract Expenditure – FMS Case AT-B-UKQ	(8.8)	
	Other Contract Payments / Internal Expenses	(35.6)	2
		(152.2)	
FY to Jun 24	Contract Expenditure – FMS Case AT-B-ULU	(487.9)	
	Contract Expenditure – FMS Case AT-B-ULX	(82.0)	
	Contract Expenditure – Thomas Global Systems Australia	(18.3)	
	Contract Expenditure – FMS Case AT-B-UKX	(8.0)	
	Contract Expenditure – FMS Case AT-B-UKQ	(0.3)	
	Other Contract Payments/Internal Expenses	(33.2)	3
		(629.8)	
Jun 24	Total Expenditure	(782.0)	
Jun 24	Remaining Budget	1,577.6	
Notes			
1	Early release of Government Gate 2 funding.		
2	Other Contract Payments/Internal Expenses comprises of Project Office Support (\$21.1m), Platforms Equipment (\$7.4m) Interim Services Contract (\$4.8m), Reconfigurable Driver Simulator (\$2.2m) and Other FMS (\$0.1m).		
3	Other Contract Payments/Internal Expenses comprises of Project Office Support (\$13.5m), Interim Services Contract (\$5.6m), Mine Clearing Line Charge (MICLIC) (\$4.5m), Platforms Equipment (\$3.8m), Reconfigurable Driver Simulator (\$3.8m), and Reconfigurable Desktop Tactical Trainer (\$2.1m).		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
970.8	629.2	580.0	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : The variance in Estimate PBS and Estimate PAES is due to a change in FMS disbursements and re-programming in forward estimates. <u>PAES to Final Plan</u> : The decrease relates to the timing of FMS disbursements relating to MBT and CEV FMS cases and a production delay of the main battle tank. The timing of the disbursements is based off analysis conducted on US based financial projections and the project's cost model.
Variance \$m	(341.6)	(49.2)	Total Variance (\$m): (390.8)
Variance %	(35.2)	(7.8)	Total Variance (%): (40.3)

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		1.2	Australian Industry	In-year variance of is primarily due to the FMS arrangement with the USG and the unpredictable nature of the FMS program, associated with procurements of MBT, CEV and ARV. Additionally, some elements of simulation & training actuals were brought forward and have contributed to the variance. These expenditures were initially planned for FY24-25 and are not an additional cost to the project. Reconfigurable Driver Simulator escalation, Global Freight charges, Sea Transportation of Vehicles and a delay to the Reconfigurable Desktop Tactical Trainer contract signature also contributed to this variance.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		48.6	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
580.0	629.8	49.8	Total Variance	
		8.6	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
FMS Case – AT-B-UKX	Sep 20	4.3	37.7	Reimbursement (for FMS)	FMS	1, 2
FMS Case – AT-B-UKQ	Jan 20	13.9	9.7	Reimbursement (for FMS)	FMS	2
FMS Case – AT-B-ULU	Dec 21	1,114.1	1,246.6	Reimbursement (for FMS)	FMS	2, 3
FMS Case – AT-B-ULX	Dec 21	490.1	617.7	Reimbursement (for FMS)	FMS	2
Thomas Global Systems Australia	Jan 22	37.3	42.6	Firm or Fixed	Standard Defence Contract	4, 5
Notes						
1	Price increase is a result of additional resources to support the establishment of the Major FMS cases.					
2	Variations on MBT upgrade, CEV, and USG Technical Assistance and Unique Armour Design FMS cases are due to exchange rate fluctuations. The amendment to FMS case AT-B-UKX is included.					
3	FMS case AT-B-ULU was signed in December 2020 for seed stock acquisition for \$18.8m (including GST). The contract details above detail Amendment #1, which incorporated the production of the M1A2 Abrams SEPv3 MBT.					
4	The contract price has increased due to an agreed three-month delay, due to factors outside both parties control.					
5	Contract Change Proposal #003 M1A2 ITT - Excusable Delay.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
FMS Case – AT-B-ULU	75	75	AT-B-ULU includes the acquisition and management of the 160 seed stock vehicles, preparation of seed stock vehicles for production (as MBT, ABV and JAB) and production of the SEPv3 MBT. In addition, the provision of initial spare parts, technical manuals and publications and the fielding of the tanks in Australia and initial training conducted by US personnel.	1, 2
FMS Case – AT-B-ULX	52	52	AT-B-ULX includes the production and delivery of 29 M1150 ABV, 17 M1110 JAB and six M88A2 ARV. In addition, the provision of initial spare parts, technical manuals and publications and the fielding of the MBT in Australia and initial training conducted by US personnel.	-
FMS Case – AT-B-UKX	N/A	N/A	AT-B-UKX Technical Assistance case includes the engagement of an Australia Management Office within the USG to manage the FMS Program as part of the Project Execution Strategy.	-
FMS Case – AT-B-UKQ	N/A	N/A	AT-B-UKQ includes the development and production of the Australian armour package.	-
Thomas Global Systems Australia	16	16	Acquisition of the ITT simulators to address the Training needs for the MBT capability.	-

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Major equipment accepted and quantities to 30 Jun 24	
No major equipment has been delivered prior to 30 June 2024 as planned, however as at 30 June 2024, 28 M1A2 Abrams SEPv3 MBTs achieved production Acceptance in the United States (US).	
Notes	
1	Seed Stock Background. In November 2020, Government Approval was given through the Defence biannual update to down select to a single MBT variant (SEPV3 MBT) and to procure 160 M1 Abrams vehicles, previously withdrawn from service in the US, for use as seed stock to be converted into MBT, ABV and JAB as they share a common M1 chassis. The seed stock of 160 base vehicles are production inputs, which will be used to produce 75 SEPv3 MBT, 29 ABV and 17 JAB as some attrition is expected during the production-build process.
2	Amendment #3 to FMS case AT-B-ULU, approved on 27 February 2024. Amendment #3 changed the scope and capability for acquisition. It included the provision of JBCP (Joint Battle Command-Platform) sub-system, and the change in transportation coding to be the responsibility from Australia to the United States. The overall case value did not change.

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) targets for US Government FMS acquisition, as there are no required AIC activities or AIC targets.
The project has contracted AIC targets based on opportunities to maximise internationally competitive Australian industry involvement including, but not limited to the targets captured in Thomas Global Systems Australia AIC Plans in the support of their management of the ITT contract for design, development, training, project management office support, Integrated Logistics Support management, logistics support, and the development and maintenance of contract deliverables.

Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	M1A2 Abrams SEPv3 MBT (AT-B-ULU)	NFP	N/A	NFP	NFP	1
	M1150 Assault Breacher Vehicle (AT-B-ULX)	NFP	N/A	NFP	NFP	2
	M1110 Joint Assault Bridge (AT-B-ULX)	NFP	N/A	NFP	NFP	2
	M88A2 Hercules Armoured Recovery Vehicle (AT-B-ULX)	NFP	N/A	NFP	NFP	2
	Immersive Tactical Trainer	May 22	May 22	May 22	0	3
Preliminary Design	M1A2 Abrams SEPv3 MBT (AT-B-ULU)	NFP	NFP	NFP	NFP	1
	M1150 Assault Breacher Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	M1110 Joint Assault Bridge (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	M88A2 Hercules Armoured Recovery Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	Immersive Tactical Trainer	Jul 22	Oct 22	Oct 22	3	4
Critical Design	M1A2 Abrams SEPv3 MBT (AT-B-ULU)	NFP	NFP	NFP	NFP	1
	M1150 Assault Breacher Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	M1110 Joint Assault Bridge (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	M88A2 Hercules Armoured Recovery Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	Immersive Tactical Trainer	Apr 23	Jul 23	NFP	NFP	5
Notes						
1	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the US Army due to being an FMS Case arrangement under (FMS Case AT-B-ULU). The US Army has contractual arrangements in place with subcontractors that does include similar major reviews. The Commonwealth is not privy to these contractual arrangements.					
2	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the US Army due to being an FMS Case arrangement under (FMS Case AT-B-ULX). The US Army has contractual arrangements in place with subcontractors that does include similar major reviews. The Commonwealth is not privy to these contractual arrangements.					
3	The ITT System Requirements Review was completed on schedule.					

4	The ITT Preliminary Design Review was completed with an agreed three-month delay, due to factors outside both parties control.
5	The ITT Critical (Detailed) Design Review experienced an agreed delay due to factors beyond the control of both parties.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	M1A2 Abrams SEPv3 MBT (AT-B-ULU)	NFP	NFP	NFP	NFP	1
	M1150 Assault Breacher Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	M1110 Joint Assault Bridge (AT-B-ULX)	NFP	NFP	NFP	NFP	2, 5
	M88A2 Hercules Armoured Recovery Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	Immersive Tactical Trainer – Fixed (ITT-F)	NFP	NFP	NFP	NFP	3, 4
	Immersive Tactical Trainer – Containerised (ITT-C)	NFP	NFP	NFP	NFP	3, 4
Acceptance	M1A2 Abrams SEPv3 MBT (AT-B-ULU)	NFP	NFP	NFP	NFP	1
	M1150 Assault Breacher Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2, 5
	M1110 Joint Assault Bridge (AT-B-ULX)	NFP	NFP	NFP	NFP	2, 5
	M88A2 Hercules Armoured Recovery Vehicle (AT-B-ULX)	NFP	NFP	NFP	NFP	2
	Immersive Tactical Trainer – Fixed (ITT-F)	NFP	NFP	NFP	NFP	3, 4
	Immersive Tactical Trainer – Containerised (ITT-C)	NFP	NFP	NFP	NFP	3
Notes						
1	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the US Army due to being an FMS Case arrangement under (FMS Case AT-B-ULU). The US Army has contractual arrangements in place with subcontractors that does include similar major reviews. However, the Commonwealth is not privy to these contractual arrangements. There are no contractual obligations to meet proposed milestones. Acceptance is defined as factory production acceptance completed in the US and System Integration occurs in Australia as part of US led Introduction into Service activities.					
2	The Commonwealth is not in contract for the above major reviews, nor similar reviews with the US Army due to being an FMS Case arrangement under (FMS Case AT-B-ULX). The US Army has contractual arrangements in place with subcontractors that does include similar major reviews. However, the Commonwealth is not privy to these contractual arrangements. There are no contractual obligations to meet proposed milestones. Acceptance is defined as factory production acceptance completed in the US and System Integration occurs in Australia as part of US led Introduction into Service.					
3	Both projects will conduct test and evaluation, acceptance and then delivery of training and simulation systems for their respective vehicles. The ITT is an M1A2 Abrams SEPv3 MBT crew trainer that will be delivered both in a containerised version (ITT-C) for deployment to the field and a fixed version (ITT-F) for installation in buildings.					
4	The schedule for ITT-F System Integration and Acceptance has been changed to align with interdependent facilities.					
5	The schedule for the M1150 Assault Breacher and M1110 JAB System Integration and Acceptance has been changed in accordance with advice from the USG.					

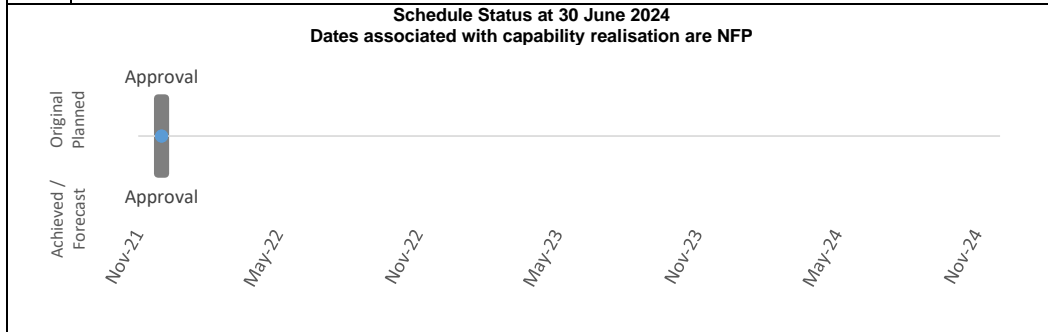
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1, 2
Initial Operational Capability (IOC)	NFP	NFP	NFP	1, 2
Final Materiel Release (FMR)	NFP	NFP	NFP	1
Final Operational Capability (FOC)	NFP	NFP	NFP	1

Notes	
1	Dates associated with capability realisation are not for public release.
2	The information listed above in Table 3.2 relate to the last vehicle achieving System Integration and Acceptance, and does not impact IMR and IOC achievement.



Note	
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance

	Green: LAND907 Phase 2 / 8160 Phase 1 expects to provide deliverables and capability requirements as per the agreement with Government.
	Amber: N/A
	Red: N/A

Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	IMR will occur when the required missions systems for commencement of introduction into service training have been delivered to Army. Initial logistics support arrangements are in place including: <ul style="list-style-type: none"> • User documentation. • Technical data. • Maintenance support. • Logistics instruction. • Engineering support. • Spares. 	Not yet Achieved

	<ul style="list-style-type: none"> • Training systems. • Facilities. Forecast dates for IMR are NFP.	
Initial Operational Capability (IOC)	IOC will occur with the provision of sufficient equipment and trained and qualified personnel to sustain the MBT and CEV on operations (or equivalent) in a land environment. Forecast dates for IOC re NFP.	Not yet Achieved
Final Materiel Release (FMR)	FMR will occur when the final mission systems have been delivered. Delivery of simulation training systems and enablers. Logistics support arrangements are in place to support Force Generation (develop and provide forces to enable military effects across operating environments) exercises and operational deployments, including: <ul style="list-style-type: none"> • User documentation. • Technical data. • Maintenance support. • Logistics instruction. • Engineering support. • Spares. • Training systems facilities. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	FOC will occur when all major and support system elements have been delivered with the capability having been fully certified within the Combat Brigades and training schools. Contractual arrangements, stable through life support and facilities are functional to enable Force Generation and an enduring operational deployment of the capability. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 51 lessons. Three of which are individual and the remaining 48 have been aggregated into four lessons against CASG Lesson Categories. All lessons are grouped into the CASG Lessons Program Systemic Categories. The seven lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Close Government-to-Government relationships are required to ensure synchronisation and alignment of programs. The establishment of a Resident Project Office (Australian Project Staff collocated with the USG Project Office) has achieved this.	Commercial Management

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DLR Lesson Type – Observation Subject Matter Expert advice was received regarding the quantity of consumables required for manufacture of the upgraded platforms. This advice was accepted by the United States Program Office and provided to the United States based OEM. Later in the build of the platforms it was found that the quantity of resources was inadequate. Being a long lead time item an alternative course of action was developed which resulted in a financial impact to the Project. This circumstance highlights that work practices between nations may be different and that early engagement and understanding of these work practices are key foundations to prevention of these situations.	Program, Project & Product Management
DLR Lesson Type – Observation. Over the reporting period, members from the respective Program Offices for the SEPv3 and CEVs travelled Australia to participate in the bi-annual program review and focussed working groups. This enabled constructive program discussions, more timely resolution of issues and more effective planning activities between the partner nations. Reinforcing the importance of face-to-face engagement to significantly reduce the number of issues, requirement for rework and subsequent costs.	Program, Project & Product Management
DLR Lesson Type – Observation. The Projects have leveraged formal Australian Standard for Defence Contracting (ASDEFCON) suite of contracts from development, release, evaluation, negotiation and execution for both the ITT and Support contracts. This has provided a number of Lessons that have aggregated into a Key Lesson in how to navigate the ASDEFCON suite from the Commonwealth perspective.	Program, Project & Product Management
DLR Lesson Type – Observation. The Projects has knowledge of managing US Export controlled data, conduct of audits and recording of Key Decisions. These Lessons have aggregated into a Key Lesson Learned for the routine management and control of Key Decisions and information tracing.	Program, Project & Product Management
DLR Lesson Type – Observation. The System Program Office have experience with the sustainment of Heavy Armour platforms through the M1A1 MBT. These have aggregated to a Key Insight that routine modifications and Deep Level maintenance are essential to ensure that capability availability to Army is maintained through-life.	Materiel Logistics
DLR Lesson Type – Observation. The project has responsibility for contracted personnel both above and below the line that require additional management overheads especially regarding US Export controls. A robust Technology Control Plan is essential to maintaining compliance to US Export controls throughout the life of the Projects.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems Division
Branch	Armoured Fighting Vehicles

Project Data Summary Sheet¹

Project Number	LAND4503 Phase 1
Project Name	ARMED RECONNAISSANCE HELICOPTER (ARH) REPLACEMENT
First Year Reported in the MPR	2023-24
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 20
Government 2nd Pass Approval	Mar 22
Budget at 2nd Pass Approval	\$3,875.0m
Total Approved Budget (Current)	\$4,560.4m
2023–24 Budget	\$160.1m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

LAND4503 Phase 1 Armed Reconnaissance Helicopter (ARH) Replacement will acquire the AH-64E Apache - a crewed, proven, mature and off-the-shelf armed helicopter that replaces the current ARH Tiger. The AH-64E Apache will provide an attack aviation effect, consisting of aviation reconnaissance, communications and networking, firepower and offensive support in a combined, integrated and interagency environment. The project will deliver 29 AH-64E Apache, ground support equipment, spares, ammunition, two Longbow Crew Trainers (LCT) (simulators), two high-fidelity maintenance/ground crew trainers and multiple other training devices and courseware. Two years of United States (US) Government Post-Production Support Services sourced through Foreign Military Sales (FMS) will enable initial sustainment activities and generation of the rate of effort required to achieve Initial Operational Capability (IOC). Workforce will primarily be transferred from the incumbent capability, utilising overseas and domestic training courses, until such time that all trades can be trained through sovereign solutions.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$254.5m against the FY 2023-24 budget of \$160.1m. The variation of \$94.3m is primarily related to higher than projected FMS expenditure due to the maturity and visibility of expected expenditure within the case, which continues to be monitored by LAND4503 Phase 1.

Project Financial Assurance Statement

As at 30 June 2024, LAND4503 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers there is sufficient budget remaining for the project to complete the agreed scope.

Contingency Statement

The project has not applied contingency in the FY 2023-24.

Schedule Performance

The project conducted ship handling trials utilising a US Army AH-64E Apache in February 2023.

Achievement of Initial Materiel Release (IMR) remains on schedule, as does achievement of supporting certification activities.

Project contributions to IOC and Final Operational Capability (FOC) remain on schedule respectively.

The project is acquiring a proven, mature and off-the-shelf helicopter and is not subject to Design Review.

Boeing Defence Australia Ltd has indicated that they are experiencing supply chain challenges that increases their risk to construct and deliver Australia's AH-64E Apaches in line with the agreed production schedule. At the time of this report, Boeing Defence Australia Ltd has not communicated a revised production schedule. The US Army, on behalf of Australia, is in negotiation with Boeing Defence Australia Ltd to mitigate or minimise any potential impacts of these delays.

Materiel Capability/Scope Delivery Performance

LAND4503 Phase 1 will acquire 29 AH-64E Apaches with associated mission systems, support systems, ground support equipment, spares, training, technical data and publications, ammunition, technical assistance and field service representatives via a FMS Case with US Government. The project expects to meet the materiel capability requirements as expressed in the Materiel Acquisition Agreement (MAA) and in accordance with the requirements of the Technical Regulatory Authorities.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

Note
Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background
<p>LAND4503 Phase 1 will replace the ARH Tiger with the AH-64E Apache helicopter. The AH-64E Apache will deliver an integrated, more lethal and more effective attack aviation capability, as well as many new advanced capabilities for the Integrated Force.</p> <p>Pursuant to the Defence White Paper 2016, the Department of Defence (DoD) directed LAND4503 Phase 1 in November 2018 to investigate options to present to Government to replace the ARH Tiger. LAND4503 Phase 1 sought expressions of interest from the market and conducted a thorough analysis on a number of options to modernise Australia's attack aviation capability. The DoD informed the Government that the AH-64E Apache was the only platform that satisfied all of the evaluation criteria, was low risk, and available for delivery in the mid-2020s.</p> <p>In December 2020, Government granted First Pass approval for LAND4503 Phase 1. This approval directed the DoD to return to Government for Second Pass approval for the AH-64E Apache to replace the ARH Tiger.</p> <p>Government Second Pass approval was granted in March 2022 for the acquisition of the AH-64E Apache from US Army through a FMS case. Second Pass approval did not include the operating location for the AH-64E Apache. All 29 AH-64E Apaches will be based at a single node. In a subsequent submission to Government (July 2023), the DoD was approved to relocate the 1st Aviation Regiment from Darwin to Townsville to coincide with the introduction of the AH-64E Apache.</p> <p>A Smart Buyer workshop was completed for Gate 1 considerations in October 2019 to support development of the Project Execution Strategy in the lead up to Gate 1 Investment Committee. Guiding principles for the project were defined as proven, mature and off the shelf with interoperability with the US. The workshops considered key strategic drivers and considerations in the Environmental Scan and Strategic Development workshops, resulting in a two-pass approach as the recommended approval pathway. A Smart Buyer workshop was not completed for Gate 2 based on the compressed timeframe between Gate 1 and Gate 2 and the down-select to Apache at First Pass.</p>
Uniqueness
The AH-64E Apache will build on the attack aviation capabilities being provided by the ARH Tiger.
Major Risks and Issues
<p>The project currently has one high rated (Emergent) risk.</p> <ul style="list-style-type: none"> Disrupted Fundamental Inputs to Capability (FIC) for Apache Capability. <p>The project is not currently tracking any major issues.</p>
Other Current Related Projects/Phases
<p>ESTL 4503 Phase 1 Armed Reconnaissance Helicopter (ARH) Replacement is directly linked to LAND4503 Phase 1, delivering new and refurbished facilities on Royal Australian Air Force (RAAF) Base Townsville. The project will deliver working accommodation for the 1st Aviation Regiment, hangars, maintenance facilities, warehousing for supplies and training devices.</p> <p>LAND 17 Phase 2 - Digital Terminal Control System (DTCS) will acquire the next generation DTCS to enable Joint Terminal Air Controllers (JTACs). The DTCS will coordinate precision fires from the weapons carried by the AH-64E Apache to support the JTACs.</p> <p>LAND 4507 Phase 1 - UH-60M Black Hawk Utility Helicopter has replaced the MRH90 Taipan with the UH-60M Black Hawk. The UH-60M Black Hawk and AH-64E Apache have an important linkage as they will form, along with CH-47F, the Army Aviation Task Group for the Integrated Force.</p> <p>LAND 4502 Phase 1 and 2- CH-47F Helicopter Program funded the acquisition of additional CH-47 (Phase 1 and Phase 2) and construction of new facilities (Phase 2) for the CH-47F Chinook at RAAF Base Townsville. The AH-64E Apache will share these facilities when co-located at RAAF Townsville.</p> <p>LAND 129 Phase 3 - Tactical Uncrewed Aerial System will acquire the Integrator to provide a Tactical Uncrewed Aerial System for Army and the Integrated Force. The AH-64E Apache will be able to control the Integrator using the Manned-Unmanned Teaming sub-system fitted to the AH-64E Apache. This is a new capability for Defence but has been proven by the US Army.</p>
Note
Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Dec 20	Original Approval (Government First Pass Approval)	22.0	1
Mar 22	Government Second Pass Approval	3,853.0	
	Total at Second Pass Approval	3,875.0	
Jun 24	Exchange Variation	685.4	
Jun 24	Total Budget	4,560.4	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – US Government – FMS Case AT-B-ULV	(80.1)	2
	Other Contract Payments / Internal Expenses	(14.3)	
		(94.4)	
FY to Jun 24	Contract Expenditure – US Government – FMS Case AT-B-ULV	(234.2)	3
	Other Contract Payments / Internal Expenses	(20.2)	
		(254.5)	
Jun 24	Total Expenditure	(348.9)	
Jun 24	Remaining Budget	4,211.5	
Notes			
1	This amount reflects funding approval at Government First Pass Approval.		
2	Other Contract Payment/Internal Expenses comprise of: External Service Providers (\$8.8m); risk reduction activities (\$3.6m); project administrative costs (\$0.9m); legal costs (\$0.4m); FMS Technical Assistance Case AT-B-ULL (\$0.3m); and Apache training program costs (\$0.3m).		
3	Other Contract Payment/Internal Expenses comprise of: purchase of maintenance training donor airframe – L7 training device (\$6.3m); purchase of ground training donor airframe – ground system training device (\$6.1m); External Service Providers (\$5.4m); risk reduction activities (\$1.0m); project administrative costs (\$0.6m); Apache training program costs (\$0.7m); and legal costs (\$0.1m).		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
285.1	114.5	160.1	<p><u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u>: The variation is primarily due to Defence Strategic Review triggered request to move money into the outer years, coupled with the maturity of FMS case information obtained in Letter of Offer and Acceptance (LOA), and the forecasting tool built to project disbursements. Initial costs were forecast using the LOA data, as contracts are being awarded within the case and payment schedules are being updated.</p> <p><u>PAES to Final Plan</u>: The variation is predominately due to the maturity of the FMS case information obtained in Amendment #1 and the forecasting tool built to estimate disbursements. Initial costs were forecast using the LOA data, and improved as contracts were being awarded within the case and payments schedules were being updated.</p>
Variance \$m	(170.7)	45.7	Total Variance (\$m): (125.0)
Variance %	(59.9)	39.9	Total Variance (%): (43.8)

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(0.4)	Australian Industry	The variation is predominately related to higher than projected FMS expenditure due to the maturity and visibility of expected expenditure within the case, which continues to be monitored by LAND4503 Phase 1.
		-	Foreign Industry	
		0.2	Early Processes	
		(4.8)	Defence Processes	
		99.4	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
160.1	254.5	(94.3)	Total Variance	
		(58.9)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
FMS Case – AT-B-ULV	Apr 2022	3,363.7	3,966.5	Reimbursement (for FMS)	FMS	1
Notes						
1	Contract value at 30 June 2024 is based on actual expenditure as at 30 June 2024 and remaining United States Dollar (USD) commitment is converted to AUD, using the current budget exchange rates, and includes adjustments for indexation (where applicable).					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
FMS Case – AT-B-ULV	29	29	The project will deliver 29 Apache attack helicopters in the AH-64E Version 6 common configuration.	-
Major equipment accepted and quantities to 30 Jun 24				
No major equipment has been delivered nor accepted prior to 30 June 2024, as planned.				

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) targets or AIC Plan for its US Government FMS acquisition as the US Government arrangement does not include the contractual provisions or obligations for Australian Industry Content. However, the US Federal Acquisition Regulation mechanism of Customer Directed Sourcing has been exploited to enable a number of Australian businesses being awarded supply contracts for production parts. These components will be included in the assembly of Australia's, and in some instances global, Apache helicopters under the Boeing Defence Australia Ltd Multi-Year II contract.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
N/A	N/A	N/A	N/A	N/A	N/A	1
Note						
1	The project is acquiring a proven, mature and off-the-shelf helicopter and is not subject to Design Review.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Ship handling trials	US Army AH-64E Apache – preview test and evaluation	Dec 21	Feb 23	Feb 23	14	1
Maintenance training device acceptance	L7 training device and ground system training device – Acceptance Test and Evaluation (AT&E)	NFP	NFP	NFP	NFP	2

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LCT acceptance	LCT – AT&E	NFP	NFP	NFP	NFP	3
Capability Realisation and Validation Campaign (CRVC) 1	Demonstrate Apache in Land Environment	NFP	N/A	NFP	NFP	-
CRVC 2	Demonstrate Apache in Land Environment	NFP	N/A	NFP	NFP	-
First of class flight trials (FOCFT)	Australian AH-64E Apache – developmental test and evaluation	NFP	N/A	NFP	NFP	-
CRVC 3	Demonstrate Apache in Joint Air Environment	NFP	N/A	NFP	NFP	-
CRVC 4	Demonstrate Apache in Maritime Environment	NFP	N/A	NFP	NFP	-
Note						
1	LAND4503 Phase 1 used US Army AH-64E Apache to conduct initial ship helicopter integration trials to identify early gaps. Original planned date cancelled due COVID-19 and associated travel restrictions.					
2	Maintenance training device production required a donor AH-64 airframe and sub-components. As Australia had not previously operated the AH-64, donor aircraft had to be sourced through a Government to Government agreement with the United Kingdom (UK) Ministry of Defence (MoD). This activity incurred a delay to the forecast production of the training devices as offered in the FMS case.					
3	Boeing Defence Australia Ltd has indicated that they are experiencing supply chain challenges that increases their risk to construct and deliver Australia's AH-64E Apache and LCT in line with the agreed production schedule.					


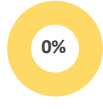

3.3 Progress Towards Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1
Initial Operational Capability (IOC)	NFP	NFP	NFP	1
Final Materiel Release (FMR)	NFP	NFP	NFP	1
Final Operational Capability (FOC)	NFP	NFP	NFP	1
Notes				
1	Boeing Defence Australia Ltd has indicated that they are experiencing supply chain challenges that increases their risk to construct and deliver Australia's AH-64E Apaches in line with the agreed production schedule. At the time of this report, Boeing Defence Australia Ltd has not communicated a revised production schedule. This may incur schedule delay to these milestones.			
<p>Schedule Status at 30 June 2024 Dates associated with capability realisation are NFP</p>				

Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project expects to meet the materiel capability requirements as expressed in the MAA and in accordance with the requirements of the Technical Regulatory Authorities.
	Amber: N/A
	Red: N/A
Note	
This Traffic Light Diagram represents Defence’s expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General’s Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	All of the materiel to support collective training to achieve IOC. The major components include: six AH-64E Apache aircraft, one LCT, aircraft ammunition, aircraft support equipment, ground support equipment, aircraft spares and fly away maintenance kits. Forecast dates for IMR are NFP.	Not yet Achieved
Initial Operational Capability (IOC)	Land-based deployable Apache troop including all FIC in place with trained and qualified aircrew, maintenance, and ground crew support staff, including Industry to support a deployment of AH-64E. Forecast dates for IOC are NFP.	Not yet Achieved
Final Materiel Release (FMR)	All of the materiel for collective training to achieve FOC. The major components include: 29 AH-64E Apaches, two LCT, two maintenance training devices, aircraft ammunition, aircraft support equipment, ground support equipment, aircraft spares, fly away maintenance kits, Special Repair Activities, purpose built facilities in Townsville and a mature Australian based Apache training system. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	FOC is defined as a deployable Apache Squadron that can support combat operations for the Integrated Force. The Apache Squadron is able to be based from, and operate within the land and maritime domain. The Apache Regiment can form a deployable headquarters to control an Aviation Task Group. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

Project Data Summary Sheets

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5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	An aggregation of multiple medium and low risks that relates to LAND4503 Phase 1 being unable to deliver the fusion of FIC elements necessary to support the introduction into service and allow for enduring sustainment of the AH-64E Apache capability. The main themes are facilities, personnel, major systems and support. If these subordinate risks become issues, they will impact collective training, industry and, command and management FIC and result in delayed operational milestones.	LAND4503 Phase 1 has a dedicated team working to continuously synchronise and coordinate the FIC. A number of fallback plans are being prepared to reduce the consequences if a risk eventuates to limit the impact on other elements of FIC, scope and schedule.

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and Capability Acquisition and Sustainment Group (CASG) Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured seven lessons. The two lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. LAND4503 Phase 1 sought to build FMS knowledge by seeking briefings and mentoring from previous CASG projects that acquired similar major systems. LAND4503 Phase 1 received the most comprehensive brief from AIR 9000 Phase 8, as it had recently acquired a US helicopter (MH-60R) through a FMS case. Though similar, the US Navy acquisition system has nuanced differences to the US Army system. As such there were FMS actions that were not required for AIR 9000 Phase 8 but were critical steps for LAND4503 Phase 1. It was also subsequently identified by the Project Team that the US Air Force acquisition system is more aligned to the US Army system. LAND4503 Phase 1 should have invested more time seeking briefings and insights from other projects that acquired major systems from the US Army via FMS.	Program, Project & Product Management
DLR Lesson Type – Observation. LAND4503 Phase 1 is acquiring the AH-64E Apache from the US Army through FMS. To support this, the Project has a Residential Project Team in Huntsville, Alabama, in the vicinity of key US Army stakeholders. Over time, the Project has developed links with the UK MoD, which is well into the process of acquiring the AH-64E Apache, to provide additional feedback on some elements of FIC – mainly individual training, industry support, organisation and some material. Similarly, The Netherlands AH-64E Apache Project is approximately three years ahead of LAND4503 Phase 1, and has become an excellent source of information and insights. Although the Australian Army has placed embeds in British Army Apache units, and the Project has embedded an Executive Level 1 member in the UK Apache Delivery Team, there is a lack of liaison and direct reporting back to the Project. CASG should consider placing additional liaison personnel into other customer nations acquiring the same equipment, particularly those who are three to five years ahead of our own projects.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Joint Aviation Systems Division
Branch	Army Aviation Systems Branch

Project Data Summary Sheet¹

Project Number	AIR555 Phase 1
Project Name	AIRBORNE INTELLIGENCE, SURVEILLANCE, RECONNAISSANCE AND ELECTRONIC WARFARE (ISREW) CAPABILITY
First Year Reported in the MPR	2021-22
Capability Type	New
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Dec 15
Government 2nd Pass Approval	Sep 17
Budget at 2nd Pass Approval	\$2,166.3m
Total Approved Budget (Current)	\$2,394.8m
2023–24 Budget	\$181.5m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

AIR555 Phase 1 will deliver a fleet of first-of-type (FoT) MC-55A Peregrine aircraft, based on a modified Gulfstream Aerospace Corporation (GAC) G550 platforms. The aircraft will incorporate the next evolution of an operationally proven Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) capability.

The capability will be a critical enabler for the Australian Defence Force's (ADF) fifth generation war fighting platforms and will conduct routine and rapid surveillance in order to provide real time threat warning and intelligence support to the ADF, and will be a primary contributor of information to support Intelligence Mission Data production.

AIR555 Phase 1 is predominately a Foreign Military Sales (FMS) program through the United States Air Force (USAF). The USAF's Prime Contractor for the acquisition of AIR555 Phase 1 is L3Harris Technologies, Inc.

Three domestic delivery agencies are involved in the major systems and Fundamental Inputs to Capability (FIC): Capability Acquisition & Sustainment Group (CASG), Security & Estate Group (SEG), and Defence Digital Group (DDG), with CASG acting as the Integrated Project Manager.

AIR555 Phase 1 facilities will be located at four locations. The main operating base facilities will be built as a component of the ISREW Precinct at Royal Australian Air Force (RAAF) Base Edinburgh. Construction of the facilities commenced at RAAF Base Edinburgh in 2020. Facilities at three forward operating bases will also be delivered.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$144.1m against the FY 2023-24 budget of \$181.5m.

Project Financial Assurance Statement

As at 30 June 2024, AIR555 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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 has not applied contingency in the financial year.

Schedule Performance

The FMS materiel delivery schedule has been impacted by risks realised through the Phase 1 engineering at the GAC facility, workforce challenges, global supply issues, and flight testing.

In consultation with the sponsor and USAF, the project has assessed mitigation strategies to minimise schedule delays and interim milestone deliveries within the Materiel Acquisition Agreement (MAA). Based on the resultant schedule review, AIR555 Phase 1 provided a re-baselined schedule for sponsor and Government approval in November 2021. This resulted in an adjustment to project schedule for Initial Operational Capability (IOC).

Subsequent to this MAA update, in October 2022 the USAF advised of delays to aircraft delivery. Government has been advised that this delay has impacted the IOC date.

Additional notification was received from USAF in June and December 2023 of further delays to aircraft delivery. Completion of

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

Information and Communications Technology (ICT) Integration is impacted by delays to aircraft delivery. The forecast for IOC was updated in December 2023.
The program has significant engineering, integration and flight test activities yet to be completed, which have the potential to result in further schedule delays. The completion of an initial series of flight test activities are critical milestone events which will inform the project on the residual schedule risks associated with achieving the IOC and Final Operational Capability (FOC) milestones.
Material Capability/Scope Delivery Performance As at 30 June 2024, this project has not delivered any material capability.
The AIR555 Phase 1 facilities built at Edinburgh are being managed with consideration of the Intelligence, Surveillance and Reconnaissance (ISR) Enterprise at the RAAF Base. The Interim Operating Facility, the first facility to be delivered through SEG, was completed in Quarter 4, 2022. The simulator facility was completed in Quarter 1, 2023. The Main Operating Base was completed in Quarter 2, 2024.
Note
Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background
AIR555 Phase 1 will deliver an ISREW capability to Defence through a FMS acquisition. Government provided initial (Government Gate Zero) project approval in July 2014. The Capability Gate Review Board in November 2014, delayed the progression of AIR555 Phase 1 until the Force Structure Review and Defence Capability Plan 2015 were released.
Government Gate 1 (First Pass) approval occurred in December 2015. AIR555 Phase 1 First to Second Pass activity included development of a detailed acquisition schedule, High Quality Cost Estimate (HQCE) and technical Risk Reduction Activities (RRAs). These were conducted under FMS Cases through the USAF Big Safari ISREW program managed by the 645 th Aeronautical Systems Group, with L3Harris Technologies, Inc. as the USAF Prime Contractor.
The costs developed through the HQCE, when combined with the inability to change the AIR555 Phase 1 Integrated Investment Program allocation and phasings, necessitated a further review of the project by the Capability Manager Gate Review (CMGR) and Investment Committee (IC). The results of this review were a review of the number of aircraft, and a revised IOC and FOC dates. The CMGR and IC also agreed to purchase two unmodified G550 aircraft during First Pass activities, which in turn were to be delivered to L3Harris Technologies, Inc.
Gate 2 (Second Pass) Government approval was provided in September 2017. Government approved the production of four MC-55A Peregrine aircraft, two Aircraft Capability Extension Systems (ACES), two secure access control systems, one mission crew training system and one ground data processing system. CASG was also to arrange for four ACES crews, training and standardisation staff, maintenance crews, operational test and equipment, accredited main operating base and forward operating bases, achieve airworthiness requirements and establish a System Program Office (SPO).
The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017 and onwards. As Defence's approach to market activity had commenced in 2016 the project did not undergo a Smart Buyer risk assessment or review.
AIR555 Phase 1 was elevated to a Project of Interest (PoI) on 26 September 2023, due to a decline in schedule forecasts. Remediation activities include increased engagement with the USAF, a rebaselining of schedule and subsequent revision of scope and spending profile, and more detailed monitoring of flight test programs.
Uniqueness
AIR555 Phase 1 is a FMS acquisition program from the USAF however, it is not a traditional FMS program. AIR555 Phase 1 will deliver a FoT, complex, developmental program integrating new ISR systems, antennae, power system modifications, communications systems and extensive modifications to a commercial GAC G550 outer mold line.
The program will incorporate multiple phases of the major modification at the aircraft manufacturer (GAC), followed by a comprehensive mission system integration and test program at L3Harris Technologies, Inc. Both of these activities will require Federal Aviation Authority airworthiness certification (Supplemental Type Certification). In addition, there will be a military certification process to follow for specialist military equipment installed during the modification program.
AIR555 Phase 1 design changes to the outer mold line will require significant engineering to be compliant with the AIR555 Phase 1 design requirements (size, weight, weight distribution and power). These extensive modifications include additional power within the aircraft and a modification of the Rolls Royce Australia Services Pty Ltd engine, cooling and an increase of maximum zero fuel weight for the airframe.
Major Risks and Issues
The project is a developmental program with significant engineering, integration and flight test activities yet to be completed. These high risk activities have the potential to result in schedule delays to initial product delivery, with a high likelihood that scope reduction or contingency will be required.
The major program risks and issues are associated with:
<ul style="list-style-type: none"> • Phase modifications and flight test schedule. • Communications and Ground Mission System (GMS) (downgraded). • Platform aerodynamic stability and structural life. • Certification and accreditation (downgraded). • Hazardous substances being delivered within FMS items (downgraded). • The Flight Test Program identifying issues that require additional non-recurring engineering and testing. • The pilot training program. • Maturity of the in-service support program (retired).

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Other Current Related Projects/Phases

A project that will extend support to military operations to support Defence personnel and assets.

A project that will deliver a capability to support Air Force operations.

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²**2.1 Project Budget (out-turned) and Expenditure History**

Date	Description	\$m	Notes
	Project Budget		
Aug 14	Original Approved (Government Interim Approval)	3.2	
Apr 15	Real Variation – Real Cost Increase	3.4	1
Jan 16	Government First Pass Approval	102.1	2
Jan 16	Real Variation – Real Cost Increase	149.7	2
Feb 18	Government Second Pass Approval	1,907.9	
	Total at Second Pass Approval	2,166.3	
May 19	Real Variation – Budgetary Adjustment	(2.9)	3
Aug 21	Real Variation – Transfer	0.4	4
Sep 21	Real Variation – Transfer	2.0	5
Sep 22	Real Variation – Transfer	43.7	6
Oct 23	Real Variation – Transfer	4.0	7
May 24	Real Variation – Transfer	12.0	8
Jun 24	Exchange Variation	169.3	
Jun 24	Total Budget	2394.8	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – FMS Case AT-D-QCS	(984.9)	
	Contract Expenditure – FMS Case AT-D-SAB	(450.4)	
	Contract Expenditure – FMS Case AT-D-SAA	(132.9)	
	Contract Expenditure – FMS Case AT-D-GCA	(78.3)	
	Contract Expenditure – Rolls Royce Australia Services Pty Ltd	(19.1)	
	Other Contract Payments / Internal Expenses	(25.4)	9
		(1,690.9)	
FY to Jun 24	Contract Expenditure – FMS Case AT-D-SAB	(111.7)	
	Contract Expenditure – FMS Case AT-D-QCS	(25.7)	
	Contract Expenditure – Rolls Royce Australia Services Pty Ltd	(0.1)	
	Other Contract Payments / Internal Expenses	(6.6)	10
		(144.1)	
Jun 24	Total Expenditure	(1,835.1)	
Jun 24	Remaining Budget	559.7	
Notes			
1	Update to Pre First Pass Project Development Fund to progress the project through continued engagement with stakeholders.		
2	Post First Pass guidance transfer to procure two aircraft and conduct RRAs to inform Second Pass. This amount is inclusive of the First Pass approval amount.		
3	Budgetary adjustment correction to re-profile journal.		
4	Transfer of Air Force Head Quarters (AFHQ) project administrative contingency budget to CASG to manage.		
5	Transfer of AFHQ project administrative budget to CASG to manage.		
6	Transfer of SEG budget to CASG to manage.		
7	Transfer of funds between Approved Acquisition Projects – Return of SEG remaining unspent funding.		
8	Transfer of funds across Key Internal Categories within Group and/or Bill Split – Return of Enterprise Estate and Infrastructure Program unspent Delivery Phase funding.		

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

9	Other Contract Payments / Internal Expenses: Includes above the line contractor support (\$17.4m), ad hoc expenditure (\$3.7m), travel (\$2.9m), and project administration activities (\$1.3m).
10	Other Contract Payments / Internal Expenses: Includes above the line contractor support (\$5.3m), Ad Hoc Expenditure (\$0.8m) and travel (\$0.4m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
174.9	178.4	181.5	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : The increase in estimate from PBS to PAES is due to rescheduling of aircraft modification and flight testing activities. <u>PAES to Final Plan</u> : The increase in estimate from PAES to Estimate Final Plan is due to exchange fluctuations change.
Variance \$m	3.5	3.1	Total Variance (\$m): 6.6
Variance %	2.0	1.7	Total Variance (%): 3.8

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		-	Australian Industry	FY 2023-24 expenditure was \$144.1m against the budget of \$181.5m. The variation is associated with the deferment of project scope elements in order to align to the revised Integrated Investment Program.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		(37.4)	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
181.5	144.1	(37.4)	Total Variance	
		(20.6)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
FMS Case – AT-D-GCA	Dec 15	81.8	79.5	Reimbursement (for FMS)	FMS	1
FMS Case – AT-D-SAA	Dec 15	134.4	133.0	Reimbursement (for FMS)	FMS	1
FMS Case – AT-D-QCS	Aug 17	0.4	1,110.7	Reimbursement (for FMS)	FMS	1, 2
FMS Case – AT-D-SAB	Jan 18	546.5	739.1	Reimbursement (for FMS)	FMS	1, 3
Rolls Royce Australia Services Pty Ltd – Spare Engine	Aug 21	18.3	21.1	Firm or Fixed	Standard Defence Contract	1, 4
Notes						
1	Variations due to exchange rate fluctuations.					
2	Original FMS Case 0.4m to engage USAF contractors to commence contractual documentation in anticipation of executable contract at AIR555 Phase 1 Second Pass Approval. Amendment 1 \$1,032.0m update included modification and delivery of the first two MC-55A aircraft, associated ground systems, long lead items and period of performance extensions. Amendments 2 and 3 were administrative changes to the contract with nil increase in value. Amendment 4 \$41.4m was to account for a Flight Simulator Training Device (FSTD), however \$40.8m of this was funded from sustainment.					
3	Original FMS Case \$546.5m to procure, modify and deliver remaining two MC-55A aircraft, also delivery of remaining ground systems and integrated logistics support (ILS) to meet FOC requirements. Amendment 1 \$222.1m for spares, support and test equipment, fly away kits and initial training for airborne and ground based operator crews, however ~\$87.5m of this was funded from sustainment. Amendment 2 \$84.0m for spares and workforce elements, however \$76.1m of this was funded from sustainment.					
4	Direct Commercial Sale for the procurement of a Rolls Royce Australia Services Pty Ltd BR710 spare engine.					

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2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
FMS Case - AT-D-GCA	N/A	N/A	To provide First to Second Pass program management, technical and engineering services to support AIR555 Phase 1 schedule and technical risk reduction activities.	-
FMS Case - AT-D-SAA	2	2	Procure two green unmodified GAC G550 aircraft.	-
FMS Case - AT-D-QCS	2	2	Modification of two aircraft and associated support equipment, associated ground systems, long lead items period of performance extensions, a FSTD, and administrative changes.	-
FMS Case - AT-D-SAB	2	2	Procure, modify & deliver two green unmodified GAC G550 aircraft including remaining GMS, ILS to support FOC. Amendments to initial contract increased contract scope to include spares, support and test equipment, fly away kits, initial training for airborne and ground based operator crews, and workforce elements.	1
Rolls Royce Australia Services Pty Ltd	1	1	Procurement of Spare Engine.	-
Major equipment accepted and quantities to 30 Jun 24				
Nil				
Notes				
1	A FSTD is procured under this FMS Case but funded and accounted for within the Sustainment Budget and therefore is not included in this table.			

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) targets or an AIC Plan for its United States (US) Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Capability.
The project has no contracted AIC targets or an AIC Plan for Rolls Royce Australia Services Pty Ltd as this was a direct sole source procurement from Rolls Royce (Australia) sourced from Rolls Royce (Germany) as the Original Equipment Manufacturer.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	Aircraft Phase 1	N/A	N/A	Oct 16	N/A	1
	Aircraft Phase 2	N/A	N/A	Dec 16	N/A	1
Preliminary Design	Aircraft Phase 1	N/A	N/A	Jun 17	N/A	1
	Aircraft Phase 2	N/A	N/A	Jun 19	N/A	1
Critical Design	Aircraft Phase 1	N/A	N/A	Nov 17	N/A	1
	Aircraft Phase 2	N/A	N/A	Sep 20	N/A	1
Notes						
1	The Commonwealth of Australia (CoA) is not in contract for the above major reviews, nor similar reviews with the USAF due to being a FMS Case arrangement. The USAF (Prime) and L3Harris Technologies, Inc. (USAF Prime Contractor) have contractual arrangements in place with each other that does include similar major reviews. However, the CoA is not privy to these contractual arrangements.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Completion of Ground System #2 ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 3, 4, 5
	Completion of Ground System #1A ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 3, 4, 5
	Completion of Ground System #3 ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 4, 5
	Completion of Ground System #1B ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 4

Acceptance	Completion of DDG Acceptance Test & Evaluation (AT&E)	NFP	N/A	NFP	NFP	1, 2, 5
Notes						
1	Dates associated with capability realisation are not for public release.					
2	AT&E acceptance by DDG is an internal Defence milestone, with no associated contract.					
3	Delays associated with Phase 1 engineering and COVID-19 workforce have also impacted forecast completion milestones.					
4	N/A - The CoA does not have a commercial relationship with contractors under the FMS acquisition arrangement.					
5	Notifications were received from USAF in October 2022, June 2023, and December 2023 of additional delays to aircraft delivery (with the project moderating the forecasted delays), impacting flight test and certification requirements. Completion of ICT Integration is also impacted by delays to aircraft delivery.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1, 2, 4, 5
Initial Operational Capability (IOC)	NFP	NFP	NFP	2, 4, 5
Final Materiel Release (FMR)	NFP	NFP	NFP	3, 4, 5
Final Operational Capability (FOC)	NFP	NFP	NFP	4, 5
Notes				
1	IMR definition was expanded from only being arrival of Aircraft #1, to include initial operating ground systems and a Forward Operating Base (FOB), which resulted in a forecast variance required to achieve the milestone.			
2	IMR & IOC have been re-baselined due to Phase 1 engineering and COVID-19 workforce issues. An updated MAA was approved by the Capability Sponsor in April 2022.			
3	FMR definition was expanded from only being arrival of Aircraft #4, to include operating ground systems, three forward operating bases, one deployable system and completion of Operational Test & Evaluation (OT&E), which resulted in a forecast variance required to achieve the milestone.			
4	Dates associated with capability realisation are not for public release.			
5	Notification was received from USAF in October 2022, June 2023, and December 2023 of additional delays to aircraft delivery impacting flight test and certification requirements.			
Schedule Status at 30 June 2024 Dates associated with capability realisation are NFP				

Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.


sSection 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The AIR555 Phase 1 Project Office (PO) expects to provide all deliverables and capability requirements as per agreement with Government.
	Amber: Related to the capability delivery of the fourth aircraft and the delivery of the MC-55A Flight Simulation Device upgrade to Stage 2 which are considered manageable and able to be met.

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	Red: N/A
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> One MC-55A Peregrine aircraft available for training and operations. Ground Systems installed, integrated, and available to support one MC-55A. One FOB sufficient to support operations. Forecast dates for IMR are NFP.	Not yet Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> Two MC-55A crews. One ground based mission crew. Two maintenance Crews. In-service support available to support operation of one MC-55A. Established PO. One MC-55A FSTD 'Stage 1' Available for Training. Forecast dates for IOC are NFP.	Not yet Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> A fleet of MC-55A Peregrine aircraft available for training and operations. Ground Systems installed, integrated, and available to support one MC-55A. Accredited FOB facilities. One Modular Processing System available to deploy from the Main Operating Base. Completion of OT&E. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> MC-55A crews available to support operation. ACES crews available to support operation of one MC-55A. Maintenance crews available to support operation. Training and standardisation staff. Achievement of all airworthiness requirements to support scope of intended operations. Establishment of all initial operational support, logistics & commercial maintenance arrangements to support the scope of intended operations. Established SPO to support the full capability. MC-55A FSTD upgrade to 'Stage 2' available for training. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that the MC-55A Phase 2 modification will be impacted by unforeseen design and integration complications, leading to an impact on cost and schedule.	The AIR555 Phase 1 Resident Project Team (RPT) will conduct a review of the L3Harris Technologies, Inc. design against the AIR555 Phase 1 Functional Performance Specification (FPS) and will monitor system performance through insight into laboratory test activities.
2	There is a risk that MC-55A Beyond Forward Operations Base (BFOB) capability may be limited at FOC, leading to additional expenditure in order to achieve the required capability.	The AIR555 Phase 1 PO will continue to investigate existing ADF deployable solutions and work through issues to develop a suitable BFOB capability. The PO will also maintain engagement with Australian Signals Directorate (ASD) regarding deployable secure facilities. Risk downgraded due to contract award for solution.
3	There is a risk the Australian airworthiness authorities will require additional information to satisfy Australian Defence Aviation Safety Regulations, requiring rectification that impacts on schedule and cost.	The AIR555 Phase 1 PO has regular engagement with the regulator and USAF certification authorities to understand where issues might present. The PO will provide a dedicated workforce to cover the high intensity review

		period between flight testing and certification. Risk downgraded due to successful completion of most mitigation actions.
4	There is a risk that the AIR555 Phase 1 Work Health and Safety (WHS) compliance will be affected by a misalignment between Australian and American safety standards, culture and programs, leading to an impact on system compliance and safety.	FPS requirements reflect Australian WHS requirements. AIR555 Phase 1 has also provided additional guidance to L3Harris Technologies, Inc. on Australian WHS requirements. AIR555 Phase 1 PO participates in quarterly US Government led System Safety meetings to ensure key stakeholders understand the full scope of effort required to identify all hazardous material in the delivered system. Australian reviews of deliverables will ensure requirements have been met across the entire modified aircraft and ground systems. Risk downgraded due to maturing development of hazard logs.
5	There is a risk that the AIR555 Phase 1 ICT integration will be affected by differences between the US and Australian Certification and Accreditation (C&A) standards, leading to schedule delays in approvals.	The AIR555 Phase 1 PO has initiated a Certification and Accreditation Working Group with L3Harris Technologies, Inc. / Military Platform Integration (MPI)/CASG/ASD to work through the differences. Also, DDG-MPI are developing C&A timelines and resourcing requirements. DDG-MPI are also engaging with certification agencies at senior levels to improve engagement and response.
6	There is a risk that the AIR555 Phase 1 Ground Mission Systems operation will be affected by inadequate design information, leading to delayed integration with Australian networks.	The AIR555 Phase 1 PO has re-established Technical Interchange Meetings to increase data exchange between the US Government and DDG to ensure CoA has access to the required design information.
7	There is a risk that the MC55 publications manuals and technical data will contain some deficiencies during initial in-service, leading to an impact on capability and aircraft delivery.	The AIR555 Phase 1 RPT is working with L3Harris Technologies, Inc. on the content, look and feel of the Aircraft's Flight Manuals to ensure an adequate solution is delivered. The RPT is also working to ensure that any L3Harris Technologies, Inc. Publication Management System meet CoA requirements. During the training period in 2023, Australian staff will review the manuals and procedures to ensure they are fit for purpose.
8	There is a risk that the MC55 Pilot Proficiency will be affected by insufficient/reduced/compressed Aircraft #1 flying program leading to an impact on OT&E and IOC.	A second airframe and flying window will be utilised to conduct dedicated pilot training in order to achieve the required competencies and proficiencies needed. Generating additional opportunities for more flying hours will reduce the risks to schedule leading up to IOC. By achieving both pilot proficiency requirements and crew training requirements prior to in-service delivery, the risk to the OT&E program schedule will be reduced, which further minimises risk to IOC.
9	There is a risk that a delay in delivery of spares and support and test equipment lists will affect the ability for the PO to set up appropriate procurement actions and support arrangements, leading to an impact on in-service aircraft availability.	ILS team is proactively reviewing all available data, including draft publications delivered to RPT to identify items to be checked on extant Logistics Information Management System (LIMS). Where items of supply are identified as a possible Cross SPO candidates, investigate North Atlantic Treaty Organisation (NATO) Master Catalogue of References for Logistics to confirm if item is codified. If item is FMS, search LIMS to confirm items requested (NATO Stock Number and Part Numbers). Risk retired due to matured understanding of support system.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	The MC-55A Ph1 design has been affected by unforeseen complications, with the CoA unique design requirements requiring additional non-recurring engineering, leading to an impact on cost and schedule.	The project applied contingency in the FY 2020-21 for the treatment of technical performance issues. The AIR555 Phase 1 RPT will maintain engagement with the USAF/ L3Harris Technologies, Inc. / GAC during testing to understand the impacts of any design shortfalls and how to minimise the cost and schedule impacts. The RPT has sought additional structural substantiation data in order to support risk characterisation and understand potential

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		impacts for the in-service structural life limits (ongoing airworthiness). Issue downgraded due to maturation of flight test program with no unfavourable results.
2	The MC-55A design has been impacted by airframe structural exceedances, which required additional structural analysis and aircraft modifications leading to an impact on cost and schedule.	The project applied contingency in the FY 2020-21 for the treatment of technical performance issues. GAC has conducted analysis and is incorporating design changes where necessary. Issue downgraded due to maturation of a management plan.
3	There is a risk that the communications design will not meet operational needs, leading to an impact on sustainment costs in order to achieve the capability.	The AIR555 Phase 1 RPT is engaging with USAF to understand current system design limitations, with a design review to be completed to inform future decisions. The RPT will review Phase 2 flight test data to understand any additional DDG support requirements.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured five lessons. The four lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Have a well-established Workforce Plan (based on the resourced schedule scope) in place for current and future demands depending on the stage of the Capability Life Cycle and project requirements. Allow for contingencies in your plan in the event that the specified resources are unavailable within the Australian Public Service or ADF. These contingencies can include reservists, contractors, shared resources with similar organisations, etc. Additional funding within the budget should be factored in for some of these contingencies, such as contractors.	Program, Project & Product Management
DLR Lesson Type – Observation. Ensure the project scope is represented by a well maintained Work Breakdown Structure. Improving the maturity of project management artefacts (Work Breakdown Structure, schedule, risk register), and maintaining consistent tracking and reporting against these. Layers of analysis of the schedule and risk register has allowed a consistent forecasting and reporting framework.	Program, Project & Product Management
DLR Lesson Type – Observation. Maintain a robust, consistent configuration management system to ensure project activities remain within project scope, including cost and schedule.	Program, Project & Product Management
DLR Lesson Type – Observation. Maintaining collaboration, transparent communication and disciplined engagement with all stakeholders is critical for managing technical requirements and facilitating risk management across the program.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Aerospace Systems Division
Branch	Aerospace Surveillance & Response Branch

Project Data Summary Sheet¹

Project Number	AIR2025 Phase 6
Project Name	JINDALEE OPERATIONAL RADAR NETWORK (JORN) MID-LIFE UPGRADE
First Year Reported in the MPR	2020-21
Capability Type	Upgrade
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Dec 15
Government 2nd Pass Approval	Dec 17
Budget at 2nd Pass Approval	\$1,117.9m
Total Approved Budget (Current)	\$1,285.6m
2023–24 Budget	\$96.9m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

Australia's Jindalee Operational Radar Network (JORN) is a long-range Over the Horizon Radar (OTHR) that supports the Australian Defence Force's (ADF) air and maritime operations, strategic surveillance and search and rescue operations. Project AIR2025 Phase 6 delivers a major mid-life redesign and upgrade by modernising JORN, including the command and control system operated from the Battlespace Surveillance Centre at Royal Australian Air Force (RAAF) Base Edinburgh and the three radar sites located at Longreach in Queensland, Laverton in Western Australia and Alice Springs in the Northern Territory. Other vital supporting infrastructure including the extensive Ionospheric sounder network will also be upgraded.

The project addresses obsolescence, improves system performance, provides a more contemporary system architecture and will reduce the total cost of ownership. The tranches in execution are systems engineering and design including the upgrade of the first radar and delivery of a new command and control system (Initial Operational Capability (IOC) Tranche, formally Tranche 2); and serial upgrade of the remaining two radars (Tranches 3 and 4).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$96.0m against the forecast planned expenditure of \$96.9m. The variation is due to BAE Systems Australia Ltd being ahead of their forecasted costs, the non-commitment of the High Power Amplifiers (HPA) phase 3 activity and other minor variances leading to the under achievement against budget of \$0.9m.

Project Financial Assurance Statement

As at 30 June 2024, AIR2025 Phase 6 has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers as at the reporting date, there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not applied contingency in FY 2023-24.

Schedule Performance

Since implementing an Alternate Delivery Strategy (ADS) in late 2021, the project has been delivering ahead of contracted dates within the revised schedule to IOC and retains project float against major contracted milestones to IOC. Key achievements over FY 2023-24 include:

- Achievement of systems engineering milestones.
- Release of the new Operations Centre demonstrator.

BAE Systems Australia Ltd and Defence continue to work collaboratively to improve the delivery performance of the JORN Phase 6 program. This includes evaluating opportunities to improve the efficiency of delivery through tailoring of the Australian Standard for Defence Contracting to better align to a 'continuous capability delivery' model.

Challenges in the resource market are expected to continue to impact the JORN Project, albeit this is being mitigated via an effective recruitment campaign by BAE Systems Australia Ltd.

Materiel Capability/Scope Delivery Performance

This project has started delivering materiel capability as noted in Section 1.2 – Schedule Performance.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

The current JORN capability remains operational while the project is progressing. As part of the ADS, elements of the system will be introduced incrementally, designed to accelerate the delivery of upgraded capability to Air Force. This strategy has resulted in the successful deployment of a new Operations Centre demonstrator. The project is now focused on the incremental delivery of upgrading radar sites and associated infrastructure.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background

AIR2025 Phase 6 is a complex sovereign development program leveraging Defence Science and Technology Group (DSTG) developed technology. A collaborative relationship between Defence and the prime contractor, BAE Systems Australia Ltd, has been critical to success. Despite the ongoing positive client-supplier relationship, the project has experienced significant schedule challenges during the initial three years of the project, particularly within the systems engineering program (other key streams of activity including hardware and software development remain on track). As a result of the persistent delays, AIR2025 Phase 6 became a Project of Interest in September 2019.

Following completion of a bottom-up re-baseline of the schedule in late 2019 which indicated a potential significant delay to IOC, Defence and BAE Systems Australia Ltd agreed to collaboratively undertake an analysis to understand the cause of additional effort estimates and identify a new approach to deliver the project. This resulted in developing an ADS, which utilised the mature and proven product development completed to date with the intent of rolling out elements of the system as they were developed to progressively retire risk.

In April 2021, BAE Systems Australia Ltd delivered a costed Contract Change Proposal (CCP) to incorporate the ADS as the new program performance measurement baseline into the contract up to the IOC milestone. Defence conducted a detailed evaluation and negotiation that resulted in BAE Systems Australia Ltd submitting a revised CCP in September 2021, which was assessed by Defence and executed in December 2021.

Since execution of the CCP in December 2021, BAE Systems Australia Ltd has implemented the ADS (now termed the Iterative Delivery Strategy) against the contracted deliverables, with a view to delivering hardware and software to Defence as early as possible. A second Integrated Baseline Review was conducted in June 2022 (completed in early July 2023) against the revised contracted performance baseline and has demonstrated the project schedule to IOC is achievable.

To date BAE Systems Australia Ltd has been performing well and delivering ahead of the revised contracted milestone dates. BAE Systems Australia Ltd and the Commonwealth are working collaboratively to identify efficiencies to reduce risk to ensure agreed contract delivery dates are met.

Uniqueness

With initial experimentation and development commencing over 50 years ago within the DSTG, a world-leading OTHR capability has been established in collaboration with Australian Industry, providing significant Defence capability and economic value to the nation. Project AIR2025 Phase 6 relies on a highly skilled and specialised workforce to design and develop High-Frequency Radar technology. The ability to attract and retain a skilled Industry and Defence workforce is a key enabler to successful project delivery.

Defence, rather than BAE Systems Australia Ltd, retains responsibility for key aspects of the JORN system-level performance under the project arrangement due to Defence providing to BAE Systems Australia Ltd specific software elements as mandated Government Furnished Material that directly impact the performance of the JORN System, such as signal processing software.

Major Risks and Issues

The current major project risks and issues subject to remedial action are:

- Cost pressures are being experienced within elements of the project.
- There is a risk that other project factors (e.g. scope changes, inexperienced resources, supply chain issues etc.) will result in cost increases to the project.
- There is a risk of cost increases associated with the upgrade of the second and third radars post IOC.
- There is a risk that the project budget might be insufficient due to the impact of inflation as the budget at project approval was out-turned against a fixed inflation rate.

Other Current Related Projects/Phases

N/A

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Project Data Summary Sheets

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Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Jan 16	Original Approved (Government First Pass Approval)	49.4	1
Dec 17	Original Approved (Government First Pass Approval) Government Second Pass Approval	1,068.5	
	Total at Second Pass Approval	1,117.9	
Apr 20	Real Variation – Transfer from Security & Estate Group (SEG)	2.5	2
Jun 20	Real Variation – Scope JORN Enhancement	8.2	3
Sep 21	Real Variation – Budgetary Adjustment	9.5	4
Nov 21	Real Variation – Budgetary Adjustment (Contingency)	2.0	4
Apr 22	Real Variation – Budgetary Adjustment	6.1	3
Apr 23	Real Variation – Budgetary Adjustment (HPA)	141.9	5
Feb 24	Real Variation – Transfer to Security & Estate Group (SEG)	(2.5)	6
Jun 24	Exchange Variation	0.0	7
Jun 24	Total Budget	1,285.6	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – BAE Systems Australia Ltd (Prime)	(261.4)	
	Contract Expenditure – Jacobs Australia Pty Ltd (Integrated Work Package (IWP))	(48.4)	
	Contract Expenditure – Lockheed Martin Australia Pty Ltd Engineering Services Contract (ESC)	(29.0)	
	Other contract payments/ internal expenses	(16.1)	8
		(354.9)	
FY to Jun 24	Contract Expenditure – BAE Systems Australia Ltd (Prime)	(78.4)	
	Contract Expenditure – Jacobs Australia Pty Ltd (IWP)	(11.0)	
	Contract Expenditure – Lockheed Martin Australia Pty Ltd (ESC)	(6.4)	
	Other contract payments/ internal expenses	(0.2)	9
		(96.0)	
Jun 24	Total Expenditure	(450.9)	
Jun 24	Remaining Budget	834.7	
Notes			
1	Government Second Pass Approval includes an \$18.3m adjustment to be funded from the unspent portion of the previously approved First Pass funding.		
2	SEG received funding to support AIR2025 Phase 6, which included replacing a facility at Radar 3 Transmit site. It was agreed that the replacement facility is best delivered by the JORN Prime Contractor, as it involves specialist fit-out and coordinated delivery within JORN operational constraints.		
3	Early access to funding to enable early capability planning and de-risking activities for the JORN Enhancement scope.		
4	In FY 2021-22, Air Force transferred all related project operating budgets into the respective Capability Acquisition and Sustainment Group (CASG)-controlled project budget.		
5	HPA replacement project funding transfer from Chief of Air Force 13 to AIR2025 Phase 6.		
6	Transfer of funds to SEG to start the design process for Transmit Building project.		
7	The zero value is due to rounding of exchange variation as the majority of the contracts are in Australian Dollars (AUD).		
8	Other Contract Payments/Internal Expenses comprises of: \$9.9m for AIR2025 Phase 6A, \$2.5m for the JORN Priority Industry Capability Support Program, \$1.9m for Commonwealth management costs and \$1.8m for other operating expenditure including minor contract expenditure.		
9	Other Contract Payments/Internal Expenses comprises of: \$0.2m for other operating expenditure including minor contract expenditure.		

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
93.3	115.0	96.9	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> Variation primarily due to HPA Budget Transfer, BAE Systems Australia Ltd Milestone and Direct Cost movements and other minor variances. <u>PAES to Final Plan</u> Variation due to BAE Systems Australia Ltd Milestone movements and other minor variances.
Variance \$m	21.7	(18.1)	Total Variance (\$m): 3.6
Variance %	23.3	(15.7)	Total Variance (%): 3.9

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(0.9)	Australian Industry	The project has year to date variance due to a combination of the following factors: <ul style="list-style-type: none"> BAE Systems Australia Ltd being ahead of Direct Cost spend. The non-commitment of the HPA Phase 3 activity. Other minor variations during the period relating to project support and Commonwealth management costs.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
96.9	96.0	(0.9)	Total Variance	
		(0.9)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Lockheed Martin Australia Pty Ltd	Mar 18	15.1	78.3	Variable	Standard Defence Contract	1, 2
BAE Systems Australia Ltd	Mar 18	455.9	661.4	Variable	Standard Defence Contract	2, 3
Jacobs Australia Pty Ltd – IWP	Dec 18	25.0	58.2	Variable	Standard Defence Contract	2, 4
Notes						
1	The price at 30 June 2024 has increased from the initial contract price of \$15.1m to \$78.3. This change is due to an increase in required contractor personnel to support the program, an increase to the contract term from three years to nine years and the application of an annual price adjustment to the contract.					
2	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current budgeted exchange rates and includes adjustments for indexation (where applicable).					
3	The Contract Value at the previous PDSS at 30 June 2023 was \$651.9m. The Contract Value as at 30 June 2024 is \$661.4m due to minor CCPs \$8.3m and other changes \$1.2m.					
4	Contract value is the estimated project share of the Branch IWP contract and is based on the estimate of project expenditure to the end of December 2024. This contract is expected to increase as further work packages are agreed.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Lockheed Martin Australia Pty Ltd	N/A	N/A	Provide specialist engineering resources to facilitate Defence's execution of AIR2025 Phase 6.	-
BAE Systems Australia Ltd	N/A	N/A	AIR2025 Phase 6 Prime Contractor that includes (but not limited to) the replacement of obsolescent systems, a new human-machine interface and new diagnosis and management systems.	-
Jacobs Australia Pty Ltd – IWP	N/A	N/A	Service based IWP.	-
Major equipment accepted and quantities to 30 Jun 24				
Nil				

Project Data Summary Sheets

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2.4 Australian Industry Capability

Summary
<p>The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement, which is captured in Lockheed Martin Australia Pty Ltds AIC Plan in support of engineering services.</p> <p>The project has contracted AIC targets based on opportunities to maximise internationally competitive Australian industry involvement, which is captured in BAE Systems Australia Ltd AIC Plan in the support of their design, manufacturing, and integration, activities.</p> <p>The project has no contracted AIC targets or AIC Plan for Jacobs Australia Pty Ltd as they are one of several contractors under the CASG-wide Major Service Provider contract that provides above the line work force to projects.</p>
Note
<p>AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	JORN Mission and Support System	Jan 19	N/A	Sep 19	8	1, 2
System Definition	JORN Mission and Support System	Jan 19	N/A	Jun 20	17	1, 2
Preliminary Design	JORN Mission and Support System	Oct 19	NFP	NFP	NFP	3
Detailed Design	JORN Mission and Support System	Jun 20	NFP	NFP	NFP	3
Support System Detailed Design	JORN Mission and Support System	Dec 20	NFP	NFP	NFP	3
Notes						
1	The original schedule included a Combined System Requirements Review and System Definition Review scheduled for January 2019. These were agreed to be de-coupled in December 2018 and finalised through a CCP. The original contracted date of January 2019 did not change.					
2	The project experienced persistent lag in execution of the systems engineering program. Key drivers for the delays are predominantly attributed to the underestimation of JORN systems engineering complexity and required design effort.					
3	A CCP to reflect the ADS was executed in December 2021 reflecting revised schedule dates. Forecast dates for capability realisation are Not For Publication (NFP).					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
Modification Readiness Review 1	Radar 1 & Operations Centre	Sep 21	NFP	NFP	NFP	1
System Acceptance	Radar 1 & Operations Centre	Jan 24	NFP	NFP	NFP	1
Modification Readiness Review 2	Radar 2	May 24	NFP	NFP	NFP	1
System Acceptance	Radar 2	NFP	NFP	NFP	NFP	1
Modification Readiness Review 3	Radar 3	NFP	NFP	NFP	NFP	1
System Acceptance	Radar 3	NFP	NFP	NFP	NFP	1
Notes						
1	A CCP to reflect the ADS was executed in December 2021 reflecting revised schedule dates. Forecast dates for capability realisation are NFP.					

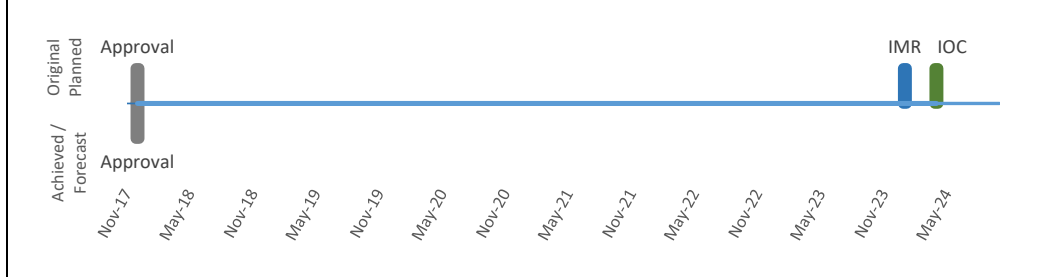
3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Jan 24	NFP	NFP	1
Initial Operational Capability (IOC)	Apr 24	NFP	NFP	1
Materiel Release 2 (MR2)	NFP	NFP	NFP	1
Operational Capability 2 (OC2)	NFP	NFP	NFP	1
Final Materiel Release (FMR)	NFP	NFP	NFP	1
Final Operational Capability (FOC)	NFP	NFP	NFP	1

Notes

1 A CCP to reflect the ADS was executed in December 2021 reflecting revised schedule dates. Forecast dates for capability realisation are NFP.

Schedule Status at 30 June 2024



Note

Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance

	Green: The project team expects to meet capability requirements as expressed in the Materiel Acquisition Agreement.
	Amber: N/A
	Red: N/A

Note

This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> The first JORN radar and supporting systems upgraded with new hardware and software. New Operations Centre that supports operation of the upgraded radar and legacy systems. Forecast dates for IMR are NFP.	Not yet Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> The first JORN radar and supporting systems upgraded with new hardware and software. New Operations Centre that supports operation of the upgraded radar and legacy systems. 	Not yet Achieved

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	<ul style="list-style-type: none"> • Training to enable sufficient personnel to conduct operations has been provided. • Sufficient sparring and support arrangements are in place to sustain operations. • Support contracts are established for all upgraded and existing JORN systems, radar sites and the JORN Battlespace Surveillance Centre. <p>Forecast dates for IOC are NFP.</p>	
Material Release 2 (MR2)	<ul style="list-style-type: none"> • The second JORN radar and supporting systems upgraded with the new hardware and software. <p>Forecast dates for MR2 are NFP.</p>	Not yet Achieved
Operational Capability 2 (OC2)	<ul style="list-style-type: none"> • The second JORN radar and supporting systems upgraded with new hardware and software. • Training to enable sufficient personnel to conduct operations has been provided. • Sufficient sparring and support arrangements. • Support contracts are established for all upgraded and existing JORN systems, radar sites and the JORN Battlespace Surveillance Centre. <p>Forecast dates for OC2 are NFP.</p>	Not yet Achieved
Final Material Release (FMR)	<ul style="list-style-type: none"> • The third JORN radar and supporting systems upgraded with new hardware and software. • Ionospheric sounder network is upgraded. <p>Forecast dates for FMR are NFP.</p>	Not yet Achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> • The third JORN radar and supporting systems upgraded. • Achievement of all Capability Enhancement Elements. • Achievement of the operational parameters as defined in the Operational Concept Document. • Training to enable sufficient personnel to conduct operations in accordance with the defined level of capability and preparedness requirements is provided. • Sufficient sparring and support arrangements are in place to sustain operations in accordance with the defined level of capability and preparedness requirements. • Support contracts are established for all upgraded and existing JORN systems, radar sites and the JORN Battlespace Surveillance Centre. <p>Forecast dates for FOC are NFP.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that the budget for the upgrade of some components is insufficient.	Current funding was based on early estimates and may not be sufficient to deliver replacement components. The project may propose the use project contingency for any shortfalls.
2	There is a risk that other project factors (e.g. scope changes, inexperienced resources, supply chain issues etc.) will result in cost increases to the project.	Defence has implemented a tiered approach to project governance to ensure that changes to project costs are managed and potential opportunities to offset cost are explored including changes to delivery and assurance activities.
3	There is a risk of cost increases associated with the upgrade of the second and third radars post IOC.	A technical contingency allocation has been identified for mitigation strategies that relate to design costs and manufacture. Effective use of a competitive supply chain approach.
4	There is a risk that human resources required to execute the program cannot be sourced or retained impacting on program timelines.	This risk has been retired and subsumed by a System Program Office level risk being managed by the System Program Office Workforce Team.
5	There is a risk of schedule delays to the program impacting the delivery of capability against agreed milestones.	These risks have been retired as an outcome of the AIR2025 Phase 6 risk workshop under the High Frequency Sensing System Program Office Acquisition Office risk rationalisation process.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	There is risk that the project budget might be insufficient due to the impact of inflation as the budget at project approval was out-turned against a fixed inflation rate.	The project may need to access contingency funding if current funds prove to be insufficient to deliver project outcomes.

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured six lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Maintaining collaboration, transparent communication and disciplined engagement with all stakeholders is critical for managing technical requirements and effective risk management.	Program, Project & Product Management
DLR Lesson Type – Lesson Identified. Adopting a holistic 'enterprise' approach to sustaining existing capability, delivering approved projects, approving future projects, and export opportunities, ensures that allocation of limited 'enterprise' resources across Defence and industry are optimised to minimise risks to delivery.	Program, Project & Product Management
DLR Lesson Type – Observation. Traditional waterfall approaches rely on a single 'big bang' integration event close to the IMR milestone which is difficult to mitigate using sequential top-down design phase analysis. More agile approaches to program delivery allow the parties to learn together, adjust to overcome emergent technical issues within schedule and cost parameters, and deliver capability faster to the warfighter.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Air Defence & Space Systems Division
Branch	Air & Surface Surveillance & Control Branch

Project Data Summary Sheets

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Project Data Summary Sheet¹

Project Number	AIR5349 Phase 6
Project Name	ADVANCED GROWLER – AIRBORNE ELECTRONIC ATTACK UPGRADE
First Year Reported in the MPR	2022-23
Capability Type	Upgrade
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Dec 16
Government 2nd Pass Approval	Dec 22
Budget at 2nd Pass Approval	\$3,218.5m
Total Approved Budget (Current)	\$3,222.2m
2023–24 Budget	\$302.6m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

Project AIR5349 Bridging Air Combat Capability was initiated to maintain an air combat capability during transition from F/A-18A/B and F-111 to F-35A. Phases 1 and 2 led to the introduction of 24 F/A-18F aircraft and related weapons respectively. AIR5349 Phase 3 acquired an Airborne Electronic Attack Capability (AEAC), including 12 EA-18G Growler and related mission and support systems such as the Mobile Threat Training Emitter System (MTTES). Project AIR5349 Phase 6 was initiated to support the next series of major Royal Australian Air Force (RAAF) EA-18G Growler upgrades and associated Fundamental Inputs to Capability (FIC) elements, required to ensure AEAC remains effective through to the Planned Withdrawal Date.

AIR5349 Phase 6 comprises the following:

- Next Generation Jammers (NGJ), and associated aircraft integration – NGJ is being developed and acquired by the United States Navy (USN) in three increments, namely; NGJ Mid Band (NGJ-MB), NGJ Low Band (NGJ-LB) and NGJ High Band (NGJ-HB).
- Aircraft modifications including sensor upgrades.
- Anti-Radiation Missile (ARM) variants.
- Electronic Warfare (EW) training range upgrades.
- Other Jammers.
- FIC elements including personnel, facilities, spares, support and training devices.

The project will be executed via a tranche approach (nominally three tranches) to Government, with scope of each tranche aligned against USN NGJ Program (i.e. Low, Mid and High Band).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$271.1m against the FY 2023-24 budget of \$302.6m. The end of year underspend is due to a delay in establishing the NGJ Mid-Band Extended Cooperative arrangement.

Project Financial Assurance Statement

As at 30 June 2024, project AIR5349 Phase 6 has reviewed the approved scope and budget for those elements required to be delivered. Having reviewed the current financial and contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers as at the reporting date, there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not applied contingency in FY 2023-24.

Schedule Performance

The project has successfully achieved Materiel Release 1 (MR1) milestone and Government Second Pass Approval for Tranche 1 in accordance with the current Materiel Acquisition Agreement (MAA).

The project remains on schedule to deliver Materiel Release 2 (MR2) and MTTES Ready for Training 1 (RFT1). The project is managing risks associated with completion of Materiel Release 3 (MR3) Final Operational Capability (FOC) remains on track for achievement.

The impacts of the project risks are applicable to Section 3.3 Progress Towards Materiel Release and Operational Capability Milestones.

Notice to Reader

¹ Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<p>The United States Navy (USN) NGJ-MB IOC milestone, originally planned for September 2023, was rescheduled to March 2024. This milestone has been subsequently rescheduled to December 2024. The USN (Air-to-Ground Missiles) (AGM) AGM-88G IOC milestone was originally planned for September 2023 and was rescheduled for July 2024.</p>
<p>Material Capability/Scope Delivery Performance</p> <p>The project has successfully achieved MR1 milestone in December 2022. The project expects to achieve delivery of all agreed scope in accordance with the MAA, inclusive of all elements of Fundamental Inputs to Capability (FIC). Subsequent Materiel Release milestones yet to be achieved, will include the following scope, in accordance with the MAA:</p> <ul style="list-style-type: none"> • Jammers. Procurement of NGJ tactical jammers and other pods, and associated aircraft integration. The NGJ is being developed and acquired by the USN in three increments, namely: NGJ-MB, NGJ-LB, and NGJ-HB. Australia has entered into a Cooperative Project (CP) with US Navy for this capability. • Platform. Aircraft modifications including Growler Block II upgrade and sensor upgrades. • Weapons. Procurement of AGM-88 Anti-Radiation Missile (ARM) variants, including an extended range capability (AGM-88G 'Advanced Anti-Radiation Guided Missile – Extended Range (AARGM-ER)'). • Electronic Warfare (EW) Ranges. Upgrades to the MTTES training ranges. • Fundamental Inputs to Capability (FIC). All FIC associated elements.
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>
<p>1.3 Project Context</p>
<p>Background</p> <p>AIR5349 Phase 6 will introduce a number of enhancements to the AEAC, centred on the EA-18G Growler. Enhancements to the aircraft will follow the USN upgrade pathway ('flight plan') to maintain commonality between the Australian and USN EA-18G Growler. This meets the intent of the Defence White Paper 2016, enabling the Australian Growler to remain fully capable and fully interoperable, at all security levels, ensuring ongoing operational relevance and the successful conduct of combined Airborne Electronic Attack (AEA) operations.</p> <p>In 2014, United States (US) invited Australia to participate in the CP for the development of the NGJ Weapon System. In December 2016, the Government through First Pass Approval agreed for Australia to enter into CP with the USN through Engineering, Manufacture and Development (EMD) Memorandum of Understanding (MoU) for NGJ-MB capability development, and Second Pass Approval for the procurement of the operational ARM variants via a Foreign Military Sales (FMS) arrangement. In 2017, the project performed Smart Buyer profiling that supported the Phase 6 project to build on existing Growler FIC and remain USN-common. This was considered to refine the project scope and associated execution strategy.</p> <p>In August 2019, the Government through Interim Pass Approval agreed for Australia to continue further participation in future cooperative efforts for NGJ-MB with the USN through Production, Sustainment and Follow-on Development (PSFD) MoU, and NGJ-LB capability development through a subordinate Project Arrangement (PA).</p> <p>In 2021, an additional Smart Buyer activity was undertaken to revalidate the project's execution strategy. As a result of the Smart Buyer considerations, the project will approach Government on three separate occasions as a minimum, for approval of each of the major tranches aligned against USN NGJ Program (i.e. Low, Mid and High Band). Such an approach will provide the flexibility necessary to respond to changes in the threat environment and US programs and maintain commonality with the USN aircraft.</p> <p>The Government Second Pass Approval for Tranche 1 was received in December 2022.</p>
<p>Uniqueness</p> <p>AIR5349 Phase 6 is unique as Australia entered into a bilateral arrangement with the United States for co-development of NGJ. Acquiring NGJ-MB through a CP enables Defence to gain insights on design and development that reduces risks associated with transition into service, and promotes interoperability with the USN.</p>
<p>Major Risks and Issues</p> <p>The project is currently managing the following major risks:</p> <ul style="list-style-type: none"> • Delays to MTTES delivery impacting the achievement of Materiel Release 6. • Delays to NGJ-Mid Band delivery impacting achievement of Materiel Release 3. <p>The project is currently not tracking any major issues.</p>
<p>Other Current Related Projects/Phases</p> <p>AIR5349 Phase 3 - Growler Airborne Electronic Attack Capability. Project AIR5349 Phase 3 acquired 12 EA-18G Growler AEA aircraft, ALQ-99 Tactical Jamming System and associated weapons, training system, and through-life aircraft upgrades and support.</p> <p>JP2093 - Guided Weapons and Explosive Ordnance Storage Program. Undertake the required scope of work associated with the weapons storage facilities, with AIR5349 Phase 6 contributing towards informing weapons storage requirements and associated funding.</p> <p>ESTA5349 Phase 6 – Phase 6 Advanced Growler – Included within AIR5349 Phase 6 Gate 2 approval for construction of NGJ maintenance and storage facilities at Amberley and EW range facilities at Amberley and Delamere Training Area.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

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Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Sep 17	Original Approved (Government First Pass Approval)	271.1	1
Aug 19	Government Interim Pass Approval	279.2	2
Aug 21	Real Variation – Transfer	0.8	3
Sep 21	Real Variation – Transfer	2.4	3
Apr 22	Real Variation – Transfer	(6.6)	3
Mar 23	Government Second Pass Approval	2,671.7	4
	Total at Second Pass Approval	3,218.5	
Jun 23	Real Variation - Transfer	(69.1)	5
Jun 24	Exchange Variation	72.8	
Jun 24	Total Budget	3,222.2	
	Project Expenditure		
Prior to Jul 23	US Government (NGJ Increment One Development MoU)	(203.1)	
	US Government (NGJ PSFD MoU)	(120.3)	
	US Government (NGJ-LB Capability PA)	(72.1)	
	US Government (NGJ-MB Prime Contracts)	(38.1)	
	US Government (FMS Case AT-P-AQP)	(16.8)	
	CEA Technologies Pty Ltd	(11.7)	
	Other Contract Payments / Internal Expenses	(19.6)	6
		(481.7)	
FY to Jun 24	US Government (NGJ Increment One Development MoU)	(105.0)	
	US Government (NGJ-MB Prime Contracts)	(91.9)	
	CEA Technologies Pty Ltd	(63.3)	
	US Government (FMS Case AT-P-ASA)	(5.4)	
	Other Contract Payments / Internal Expenses	(5.6)	7
		(271.1)	
Jun 24	Total Expenditure	(752.8)	
Jun 24	Remaining Budget	2,469.4	
Notes			
1	Government First Pass Approval to initiate the project, enter NGJ Increment One Development MoU with the USN and Government Second Pass Approval to progress FMS Case AT-P-AQP. Allocation of funding occurred in September 2017, following Government First Pass in December 2016.		
2	Government Interim Pass Approval, to enter into the NGJ PSFD MoU, NGJ-LB Capability PA and continue development of the NGJ capability.		
3	Transfer of funds due to RAAF contingency and unallocated budget movements and transfer of funds to Security and Estate Group (SEG) Capability.		
4	Government Second Pass Approval of Tranche 1 funding. Tranche 1 approval to fund NGJ-MB shipsets and associated spares and support equipment; AGM-88G acquisition; EW Ranges upgrades, including upgrades to the MTES and acquisition of Mobile Electronic Warfare Threat Emitter System (MEWTES); development of aircraft upgrades, cooperative development of the NGJ-LB and NGJ-HB with the USN; and FIC element upgrades and sustainment associated with Tranche 1 acquisition. Allocation of funding occurred in March 2023, following Government Second Pass in December 2022.		
5	Transfer of \$69.1m to SEG to fund the Minimum Level of Operational Capability facilities option presented at Conceptual Design Review.		
6	Other contract payments/internal expenses to 30 June 2023 were comprised of contractor support, travel and project management expenses.		
7	Other contract payments/internal expenses to 30 June 2024 were comprised of contractor support, travel, project management expenses.		

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
205.9	243.8	302.6	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> Variation is due to earlier than planned funds for CEA Technologies Pty Ltd (MTTES). <u>PAES to Final Plan:</u> Variation is due to additional Next Generation Jammer Cooperative Program unplanned expenditure and foreign currency exchange variations.
Variance \$m	38.0	58.7	Total Variance (\$m): 96.7
Variance %	18.4	24.1	Total Variance (%): 47.0

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		8.9	Australian Industry	The variance in spending was primarily due to a delay in establishing the NGJ Mid-Band Extended Cooperative arrangement.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		(40.3)	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
302.6	271.1	(31.4)	Total Variance	
		(10.4)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
US Government (FMS Case AT-P-AQP)	Sep 17	19.4	17.1	Reimbursement (for FMS)	FMS	-
US Government (NGJ Increment One Development MoU)	Oct 17	199.4	308.0	Cost Ceiling (Capped)	MoU	1, 2, 3
US Government (NGJ PSFD MoU)	May 20	109.1	120.3	Cost Ceiling (Capped)	MoU	1, 4, 5
US Government (NGJ-LB Capability PA)	Jul 20	80.7	72.1	Cost Ceiling (Capped)	MoU	1, 6
CEA Technologies Pty Ltd	Dec 22	278.4	279.8	Firm or Fixed	Standard Defence Contract	7, 8
US Government (NGJ-MB Prime Contract)	Mar 23	284.4	288.8	Variable	MoU	9
US Government (FMS Case AT-P-ASA)	Jul 23	433.0	433.0	Reimbursement (For FMS)	FMS	10
US Government (NGJ-MB Extended Upgrade)	Jun 24	67.3	67.3	Cost Ceiling (Capped)	MoU	11
Notes						
1	This agreement has fully expended all funding to the US Government.					
2	An agreement to enable shared contributions to Engineering, Manufacturing and Design (EMD) of NGJ-MB with some discussion of follow-on developments. Funding is limited to a cost ceiling, which can only be changed upon mutual written consent of the Participants. Australia is responsible for paying a proportion of the total costs.					
3	Increase in Contract Price is due to an increase in the overall NGJ-MB EMD including the Research, Development, Test and Evaluation activities. The increase represents the Australian Department of Defence equitable share in accordance with the US Government NGJ Increment One Development MoU.					
4	An 'umbrella' agreement to enable shared contributions to PSFD of the NGJ Weapon System (including Production and Sustainment of NGJ-MB), with subordinate PAs for additional AEA capabilities. The PSFD MoU provides scope for production, sustainment, and follow-on development of AEA capabilities. Funding is limited to a cost ceiling, which can only be changed upon mutual written consent of the participants. Australia is responsible for paying a proportion of the total costs.					
5	The Exchange of Letters agreed an increase to the price ceiling of the PSFD MoU for the follow-on development of the NGJ-MB capability.					
6	Project Arrangement under the PSFD MoU to design, develop, test and integrate NGJ-LB capability into the EA-18G Growler. Australia is responsible for paying a proportion of the total costs.					

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7	The scope of the contract includes eight MEWTES, four Advanced MTTES (ADVM) and associated support system elements.
8	Signature value reflects the out-turned contract value (ex GST). The price variance is due to foreign exchange as at 30 June 2024.
9	The scope of the contract includes initial quantity of NGJ-MB shipsets, spares, support equipment and training system.
10	Establishment of new FMS Case for AARGM-ER.
11	Establishment of Project Arrangement under the PSFD MoU to enable the cooperative design, development, and testing of the NGJ-MB Extended Upgrade (NGJ-MBX) Upgrade for NGJ-MB weapon system and integrate upgraded capability into the EA-18G Growler.

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
US Government (FMS Case AT-P-AQP)	Classified	Classified	AGM-88 variants and support.	-
US Government (NGJ Increment One Development MoU)	N/A	N/A	Australia's contribution to shared costs from FY 2017-18 to FY 2022-23, and includes contribution to project overhead and administration costs, as well as EMD common efforts for NGJ-MB, including associated science and technology activities; and the development of mission systems, training, production plans and support equipment and technologies.	1
US Government (NGJ PSFD MoU)	N/A	N/A	Australia's contribution to shared costs from FY 2020-21 to FY 2022-23, and includes contribution to PSFD common efforts of NGJ-MB, and project overhead and administration costs.	1
US Government (NGJ-LB Capability PA)	N/A	N/A	Australia's contribution to shared costs from FY 2021-22, and includes contribution to project overhead and administration costs, as well as EMD common efforts, including associated science and technology activities; and the development of mission systems, training, production plans and support equipment and technologies.	1
CEA Technologies Pty Ltd	Various	Various	Eight MEWTES, four ADVM, publications, manuals, training, transition, integration and support services.	2
US Government (NGJ-MB Prime Contract)	Various	Various	Initial quantity of NGJ-MB shipsets, spares, training system and support equipment.	-
US Government (FMS Case AT-P-ASA)	Classified	Classified	AGM-88 variants and support.	-
US Government (NGJ-MB Extended Upgrade)	N/A	N/A	Procurement of flight test planning and qualification, detailed design, and integration and testing for the NGJ MBX capability.	1
Major equipment accepted and quantities to 30 Jun 24				
All contracted supplies under FMS Case AT-P-AQP have been delivered.				
Notes				
1	No equipment delivered as part of the MoU or PA.			
2	This Contract is an Official Order under the Active Electronically Scanned Array Head Deed for additional emitter systems.			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian Industry involvement which is captured in the CEA Technologies Pty Ltd AIC Plan in support of applicable Sovereign Industrial Capability Priorities.
The project has no contracted AIC targets for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
The project has no contracted AIC targets for its US Government CP, however has provisions to encourage competitive participation of Australian Industry without the contractual obligations for Australian Industry Content.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	ADVM7	N/A	N/A	N/A	N/A	1
	ADVM8	N/A	N/A	N/A	N/A	1
	ADVM9	N/A	N/A	N/A	N/A	1
	ADVM11	N/A	N/A	N/A	N/A	1
	MEWTES	Dec 23	N/A	Jan 24	1	2, 3
Preliminary Design	ADVM7	N/A	N/A	N/A	N/A	1
	ADVM8	N/A	N/A	N/A	N/A	1
	ADVM9	N/A	N/A	N/A	N/A	1
	ADVM11	N/A	N/A	N/A	N/A	1
	MEWTES	N/A	N/A	N/A	N/A	2
Critical Design	NGJ-MB	N/A	N/A	Apr 17	N/A	4
	AGM-88G	N/A	N/A	Feb 20	N/A	5
	ADVM7	N/A	N/A	N/A	N/A	1
	ADVM8	N/A	N/A	N/A	N/A	1
	ADVM9	N/A	N/A	N/A	N/A	1
	ADVM11	N/A	N/A	N/A	N/A	1
	MEWTES	Jan 24	N/A	NFP	NFP	2, 6
Notes						
1	ADVM7, ADVM8, ADVM9 and ADVM11 systems are off-the-shelf CEA Technologies Pty Ltd products without any development required.					
2	The CEA Technologies Pty Ltd Contract does not use System Requirements, Preliminary Design or Critical Design Mandated System Reviews. Rather, CEA Technologies Pty Ltd approach is to use Technical Progress Reviews (TPR) to progressively iterate the design through-out the design phase then monitor production throughout the contract.					
3	MEWTES System Requirements review is aligned with delivery of the final System Performance Specification (SPS). The Commonwealth of Australia (CoA) has not accepted Revision 0 of the delivered SPS and continues to work with the supplier to reach an agreed position for this developmental system. The variance does impact Critical Design Review but does not impact system delivery and acceptance dates.					
4	Per the US Department of Defence (DoD) Acquisition Life Cycle, Critical Design Review for NGJ-MB was achieved April 2017.					
5	Per the US DoD Acquisition Life Cycle, Critical Design Review for AGM-88G was achieved in February 2020.					
6	The equivalent of a Critical Design Review is planned to be conducted at TPR #8. The delays to the System Performance Specifications delivery has created a corresponding delay in Critical Design progress. The variance does not impact system delivery and acceptance dates.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	AGM-88G USN IOC	Sep 23	N/A	Jul 24	10	1
	NGJ-MB USN IOC	Sep 23	N/A	Dec 24	15	2
	NGJ-MB A46 Type Certification	NFP	N/A	NFP	NFP	3
	AGM-88G A46 Type Certification	NFP	N/A	NFP	NFP	3
	ADVM11	NFP	NFP	NFP	NFP	4
	ADVM8	NFP	NFP	NFP	NFP	4
	MEWTES #1	NFP	NFP	NFP	NFP	4
	MEWTES #2	NFP	NFP	NFP	NFP	4, 5
	ADVM7	NFP	NFP	NFP	NFP	4
	ADVM9	NFP	NFP	NFP	NFP	4
	MEWTES #3	NFP	NFP	NFP	NFP	4, 5
	MEWTES #4	NFP	NFP	NFP	NFP	4, 5
	MEWTES #5	NFP	NFP	NFP	NFP	4
	MEWTES #6	NFP	NFP	NFP	NFP	4
	MEWTES #7	NFP	NFP	NFP	NFP	4
MEWTES #8	NFP	NFP	NFP	NFP	4	
Acceptance	NGJ-MB A46 OT&E	NFP	N/A	NFP	NFP	6
	AGM-88G A46 OT&E	NFP	N/A	NFP	NFP	6
	Acceptance of MEWTES #1	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #2	NFP	NFP	NFP	NFP	7

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	Acceptance of MEWTES #3	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #4	NFP	NFP	NFP	NFP	7
	Acceptance of ADV#7	NFP	NFP	NFP	NFP	7
	Acceptance of ADV#8	NFP	NFP	NFP	NFP	7
	Acceptance of ADV#9	NFP	NFP	NFP	NFP	7
	Acceptance of ADV#11	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #5	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #6	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #7	NFP	NFP	NFP	NFP	7
	Acceptance of MEWTES #8	NFP	NFP	NFP	NFP	7
Notes						
1	USN key milestone for AGM-88G system under the US DoD Acquisition Life Cycle. Outcomes of the USN declaration of IOC will inform the Australian Operational Test and Evaluation (OT&E) and type certification programs. USN IOC is not an AIR5349 milestone.					
2	USN key milestone for NGJ-MB system under the US DoD Acquisition Life Cycle. Outcomes of the USN declaration of IOC will inform the Australian OT&E and type certification programs. USN IOC is not an AIR5349 milestone.					
3	System Integration of AGM-88G and NGJ-MB on the A46 EA-18G Growler is achieved following completion of Commonwealth type certification activities and Defence Aviation Safety Authority approval of the change to type design. This is the original planned date in accordance with the AIR5349 Ph6 schedule. Delays to USN IOC have not varied Australian Type Certification forecast.					
4	In Project Data Summary Sheet (PDSS) FY 2022-23, the System Integration milestones were aligned to Range Acceptance Testing (RAT) of the Major System. In PDSS FY 2023-24, the System Integration has been realigned to CoA acceptance of contractor Factory Acceptance Testing of individual Major Systems prior to RAT.					
5	The CoA is working with the supplier to identify controls to mitigate schedule risk in order to align forecast dates with corresponding Materiel Release and Operational Capability milestones.					
6	Commonwealth acceptance of AGM-88G and NGJ-MB on the A46 EA-18G Growler is determined through Operational Test and Evaluation conducted by Air Force.					
7	In PDSS FY 2022-23, the Acceptance milestones were aligned to the contracted Supplies Acceptance milestone. In PDSS FY 2023-24, Acceptance has been realigned to CoA acceptance of contractor RAT of individual Major Systems prior to contracted Supplies Acceptance.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Materiel Release 1 (MR1)	Oct – Dec 21	Dec 22	12	1,2
Materiel Release 2 (MR2)	NFP	NFP	NFP	2
MTTES RFT1	NFP	NFP	NFP	2
Materiel Release 3 (MR3)	NFP	NFP	NFP	2,3
Materiel Release 4 (MR4)	NFP	NFP	NFP	2
Tranche 2 Investment Committee	NFP	NFP	NFP	-
Materiel Release 5 (MR5) – Initial Materiel Release (IMR)	NFP	NFP	NFP	2,4
Tranche 1 Initial Operational Capability (IOC)	NFP	NFP	NFP	2, 5
Materiel Release 6 (MR6)	NFP	NFP	NFP	2,6
Tranche 2 Second Pass Approval	NFP	NFP	NFP	2
MTTES RFT2	NFP	NFP	NFP	2, 7
Materiel Release 7 (MR7)	NFP	NFP	NFP	2
MTTES RFT3	NFP	NFP	NFP	2
Materiel Release 8 (MR8)	NFP	NFP	NFP	2
MTTES RFT4	NFP	NFP	NFP	2
Materiel Release 9 (MR9)	NFP	NFP	NFP	2,8
Tranche 1 Operational Capability 2 (OC2)	NFP	NFP	NFP	2,8
Notes				
1	Variance due to additional time required for due diligence activities to confirm materiel delivery in support of the milestone.			
2	Refer to Section 4.2 for definition of milestones.			
3	Original planned date for MR3 forecast based on pre-contract shipset delivery timelines from USN. Shipset delivery schedule at contract award does not support declaration of MR3 at original planned date. Delivery schedule for NGJ shipsets 1 and 2 and associated sparing supports declaration of MR3.			
4	Original planned date for MR5 forecast based on pre-contract shipset delivery timelines from USN. Shipset delivery schedule at contract award does not support declaration of MR5 at original planned date. Delivery schedule for NGJ shipsets 1 and 2 and associated sparing supports declaration of MR5.			
5	Variance to IOC is associated with preceding delay to MR5 (MR5 required for declaration of IOC).			
6	Original planned date for MR6 forecast was based on expected acceptance dates for MEWTES #1 to #4. Risk mitigations for MR6 are being managed and include engagement with supplier for accelerated delivery of MEWTES.			
7	Variance to RFT2 is associated with preceding delay to MR6 (MR6 required for declaration of RFT2).			

8	MR9 is the equivalent of Final Materiel Release for Tranche 1. OC2 is the equivalent of Final Operational Capability (FOC) for Tranche 1.
<p>Schedule Status at 30 June 2024 Dates associated with capability realisation are NFP</p>	

Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
<p>100%</p>	<p>Green: The project expects to achieve the following milestones in accordance with the MAA:</p> <ul style="list-style-type: none"> • MR2 - Complete delivery of Tranche 1 materiel and services supporting transition to MTTES Ready for Training (RFT) 1 milestone. • MTTES RFT1 milestone. • MR3 - Complete delivery of materiel, services and provisions to support the commencement of Australian Initial Operational Test and Evaluation (IOT&E) Program. • MR4 - Complete delivery of materiel, services and provisions to support Australian IOT&E AARGM-ER Live-Fire activity. • Tranche 2 Investment Committee. • MR5 - Complete delivery of all Tranche 1 materiel and services supporting transition to Tranche 1 IOC milestone. • Tranche 1 IOC milestone. • MR6 - Complete delivery of Tranche 1 materiel and services supporting transition to MTTES RFT2 milestone. • MTTES RFT2 milestone. • Tranche 2 Second Pass Approval. • MR7 - Complete delivery of Tranche 1 materiel and services supporting transition to MTTES RFT3 milestone. • MTTES RFT3 milestone. • MR8 - Complete delivery of Tranche 1 materiel and services supporting transition to MTTES RFT4 milestone. • MTTES RFT4 milestone. • MR9 - Complete delivery of Tranche 1 materiel and services supporting transition to Tranche 1 OC2 milestone. • Tranche 1 OC2 milestone.
<p>0%</p>	<p>Amber: N/A</p>
<p>0%</p>	<p>Red: N/A</p>

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Materiel Release 1 (MR1)	Delivery of AGM-88 variants war stock into Australian Defence Force inventory. MR1 was achieved in December 2022.	Achieved
Materiel Release 2 (MR2)	Contracts awarded, sustainment arrangement established and materiel delivered to support transition to MTTES RFT1. Forecast dates for MR2 are NFP.	Not Yet Achieved
MTTES RFT1	Capable of conducting MTTES operations in an additional single training area and having achieved increased MTTES training capability and capacity. MTTES RFT1 achievement is reliant on the successful delivery of MR2. Forecast dates for MTTES RFT1 are NFP.	Not yet Achieved
Materiel Release 3 (MR3)	Delivery of NGJ-MB shipsets, associated sustainment arrangements established and Type Certification completed to support the commencement of Australian Initial Operational Test and Evaluation Program. Forecast dates for MR3 are NFP.	Not Yet Achieved
Materiel Release 4 (MR4)	Delivery of AGM-88G Telemetry Rounds, associated certification, permits and training to support Australian Initial Operational Test and Evaluation AARGM-ER Live Fire Activity. Forecast dates for MR4 are NFP.	Not Yet Achieved
Materiel Release 5 (MR5) - IMR	Delivery of AGM-88G war stock and NGJ-MB shipsets, associated sustainment arrangements established, Type Certification completed and applicable facilities completed to support transition to Tranche 1 IOC. Forecast dates for MR5 are NFP.	Not Yet Achieved
Tranche 1 Initial Operational Capability (IOC)	IOC of NGJ-MB and AGM-88G integrated on RAAF EA-18G Growler, having completed the required level of test and evaluation and trained the necessary workforce. Achievement of Tranche 1 IOC achievement is reliant on the successful delivery of MR3, MR4 and MR5. Forecast dates for IOC are NFP.	Not yet Achieved
Materiel Release 6 (MR6)	Delivery of MEWTES and associated materiel, sustainment arrangements established to support RTF2 Operational Test and Evaluation, training, support and transition activities. Forecast dates for MR6 are NFP.	Not Yet Achieved
MTTES RFT2	Initial MEWTES capability, and capable of conducting MTTES operations in additional training areas, having completed the required level of test and evaluation and achieved increased MEWTES training capability and capacity. MTTES RFT2 achievement is reliant on the successful delivery of MR6. Forecast dates for MTTES RFT2 are NFP.	Not yet Achieved
Tranche 2 Second Pass Approval	Updated project documentation to support Tranche 2 Second Pass Approval. Forecast dates for Tranche 2 Second Pass Approval are NFP.	Not Yet Achieved
Materiel Release 7 (MR7)	Delivery of ADVM 7, 8, 9 and 11, sustainment arrangements established, associated facilities completed to support the transition to MTTES RFT3. Forecast dates for MR7 are NFP.	Not Yet Achieved
MTTES RFT3	ADVM7, ADVM8, ADVM9 and ADVM11 capability and associated through-life support, upgraded Mission Control Centre, having completed the required level of test and evaluation and achieved increased MTTES training capability and capacity. MTTES RFT3 achievement is reliant on the successful delivery of MR7. Forecast dates for MTTES RFT3 are NFP.	Not yet Achieved
Materiel Release 8 (MR8)	Delivery of MEWTES, associated integration with MTTES and sustainment arrangements established to support transition to MTTES RFT4. Forecast dates for MR8 are NFP.	Not Yet Achieved
MTTES RFT4	Mature MEWTES capability and associated through-life support, having completed the required level of test and evaluation. MTTES RFT4 achievement is reliant on the successful delivery of	Not yet Achieved

	MR8. Forecast dates for MTTES RFT4 are NFP.	
Materiel Release 9 (MR9) – equivalent of FMR for Tranche 1	Delivery of AGN-88G war stock and NGJ shipsets, associated sustainment arrangements established including support for capability development and enhancements and the ability to conduct NGJ-MB Intermediate and Depot level maintenance functions in Australia to support Tranche 1 OC2. Forecast dates for MR9 are NFP.	Not Yet Achieved
Tranche 1 Operational Capability 2 (OC2) – equivalent of FOC for Tranche 1	Mature NGJ-MB and AGM-88G capability integrated on RAAF EA-18G Growler, including associated through-life support. Tranche 1 OC2 achievement is reliant on the successful delivery of MR9. Forecast dates for Tranche 1 OC2 are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Four schedule risks have been identified relating to potential delay to Materiel Release (MR) milestone due to late delivery of multiple materiel system elements.	These four risks have been retired and replaced by risks more appropriately aligned to the MAA and related MR milestones.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Delay to the introduction of MEWTES into MTTES due to late delivery of key enablers leading to an impact on achievement of Materiel Release 6.	The project continues to work closely with the materiel system providers to refine design and production timelines in support of the applicable MR milestones.
2	Delay to the introduction of the NGJ-MB on the A46 EA-18G Growler due to late delivery of key enablers to complete integration on type leading to an impact on achievement of Materiel Release 3.	The project continues to work closely with the materiel system providers to refine design and production timelines in support of the applicable MR milestone.

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and Capability Acquisition and Sustainment Group Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured three lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Funding for CP set-up costs. A FMS case is required to be in place as a foreign disclosure vehicle to allow information exchange and to provide funding for setup costs associated with establishing a CP.	Commercial Management
DLR Lesson Type – Observation. One Defence Strategic Risk Management (SRM) Framework. A One Defence SRM framework should be developed and aligned with the Defence harmonised risk management framework that is prescribed in Defence policy. This would improve visibility and communication of risks across Defence and Government.	Commercial Management
DLR Lesson Type – Observation. Promotion of effective and efficient communication of risks across multiple organisations. The project management plan should be utilised to promote effective and efficient communication of risks across multiple organisations to ensure compliance with Work Health and Safety legislations and Defence's safety management frameworks.	Program, Project & Product Management

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Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Aerospace Systems Division
Branch	Aerospace Combat Systems

Project Data Summary Sheet¹

Project Number	AIR5431 Phase 3
Project Name	CIVIL MILITARY AIR TRAFFIC MANAGEMENT SYSTEM (CMATS)
First Year Reported	2016-17
Capability Type	Replacement
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Nov 11
Government 2nd Pass Approval	Dec 14
Budget at 2nd Pass Approval	\$731.4m
Total Approved Budget (Current)	\$1,010.0m
2023–24 Budget	\$36.9m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

AIR5431 Phase 3 will replace the current Australian Defence Air Traffic System (ADATS) at 12 fixed base Defence locations. The Defence component of the joint project includes; eight Civil Military Air Traffic Management System (CMATS) sites and four Airservices Defence OneSKY Tower (ADOT) sites, an ab-initio training simulator at the Royal Australian Air Force (RAAF) School of Air Traffic Control (SATC) and an Operational Maintenance Trainer at RAAF Amberley, delivered through an On Supply Agreement (OSA) contract between AIR5431 Phase 3 and the Airservices Australia Pty Ltd, also referred to as the OneSKY Program.

To meet the OSA obligation, and in addition to providing direct services using internal work packages, Airservices Australia Pty Ltd holds the contracts with Thales Australia Ltd as prime contractor for the CMATS deliveries, and with Saab Inc. (US) and Frequentis Australasia Pty Ltd for the mission systems required for the ADOT solution.

In addition to the deliverables under the OSA with Airservices Australia Pty Ltd, AIR5431 Phase 3 will also deliver radio transition and business continuity projects, as well as the management of site works and the provision of Customer Furnished Services (CFS).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$31.0m against the FY 2023-24 budget of \$36.9m. The variation is due to a combination of:

- Re-phasing of the Air Ground Air (AGA) Remote Radio scope from May 2024 to October 2024 as a result of prioritising Site Acceptance milestones for the AGA Transition (AGAT) Solution.
- Delay in establishing the Air Traffic Management Capability Assurance Program (ATM CAP) Contract Change Proposal (CCP) with Raytheon Australia Pty Ltd for Tranche 1 of the activity.
- Reduced achievement against the contracted workforce budget due to a reduction in Major Service Provider resources.
- Less than anticipated operating expenses due to lower project management and Air Force operating costs.

Project Financial Assurance Statement

As at 30 June 2024, AIR5431 Phase 3 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, that there is insufficient budget remaining including contingency, for the project to complete, taking into account changes that resulted from the implementation of the Project of Concern (POC) remediation plan.

Contingency Statement

The project has applied contingency in the financial year for the purpose of establishing and progressing the ATM CAP, being delivered by Surveillance and Control System Program Office (S&C SPO) under existing support arrangements with Raytheon Australia Pty Ltd for the ADATS.

Schedule Performance

Following the March 2023 POC Summit, Defence and Airservices Australia Pty Ltd (the Customer) and Thales Australia Ltd worked to implement the agreed POC remediation plan for the project. The cornerstone for the remediation plan focused on a revised deployment strategy to deliver an integrated CMATS common product, verified against the Release One (R1) software baseline deployed to Civil sites first, followed by Defence sites.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

This revised strategy simplified software development, test and deployment, mitigated some of the challenges encountered by Thales Australia Ltd's resourcing of concurrent development activities, and culminated in a nil-cost CCP to the Contract (Acquisition). This CCP and the Deed of Settlement was executed on 20 December 2023.

Remediation of the CMATS Contract Master Schedule (CMS) occurred over progressive schedule releases from Thales Australia Ltd. CMS v.4 delivered 30 July 2023 resulted in a recommendation from the independent assurer to close the Integrated Baseline Review corrective actions, sighting improved schedule management.

The POC remediation plan included an action to develop an agreed and executable Integrated Master Schedule (IMS) to better facilitate program level management. The first cycle of IMS reporting occurred May 2024, with ongoing bi-monthly reports produced thereafter.

The ADOT Project is progressing, with System Acceptances for RAAF Base Edinburgh, Army Aviation Centre Oakey, RAAF Base Richmond and RAAF Base Gingin planned to occur from FY 2026-27.

The AGAT Solution being delivered by BAE Systems Australia Pty Ltd is progressing in accordance with the schedule with nine out of 12 sites having achieved Acceptance, and all sites scheduled to be completed by Quarter 4 2024; ahead of the deployment of CMATS and ADOT to sites.

Implementation of the revised CMATS deployment strategy has impacted Government approved Initial Operating Capability (IOC) and Final Operating Capability (FOC) dates. Government endorsement will be sought no earlier than Quarter 4, 2024 and following evidence of Thales Australia Ltd's performance against the revised delivery plan.

Material Capability/Scope Delivery Performance

The project has not delivered any material capability to date through the OSA. Related Material Capability being managed by the project and S&C SPO outside the OSA including:

- AGAT solution delivered by BAE Systems Australia Pty Ltd (hardware installed at nine sites but cannot be commissioned /activated until the CMATS systems are installed).
- An ADATS Life-of-Type Extension (LOTE) was delivered by S&C SPO under existing support arrangements with Raytheon Australia Pty Ltd to mitigate realised schedule delays with CMATS and ADOT. Additional project contingency funding was released in FY 2022-23 to establish a holistic ATM CAP managed by S&C SPO, to assure the entire ADATS air traffic system and voice communications switch capability until CMATS and ADOT are accepted into operational service.
- Defence site preparation and support, to support the design requirements of the contractor.

Recognising the lack of capability delivered to date against the original agreed OSA, and more broadly the CMATS Contract (Acquisition), Defence and Airservices Australia Pty Ltd agreed to revise the OSA payment schedule to more appropriately link payments under the OSA to delivery of capability to Defence, and furthermore align the OSA with the nil-cost changes to the Price and Payment schedule of the Contract (Acquisition) negotiated as part of the POC remediation plan.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background

Defence and Airservices Australia Pty Ltd sought in 2011 to replace their legacy Air Traffic Control (ATC) systems through the acquisition of a harmonised Australian CMATS that will deliver improvements in safety, efficiency, flexibility, economy and business continuity. A joint solicitation was conducted in June 2013.

AIR5431 Phase 3 received Government Second Pass approval in December 2014 on the basis of tendered agnostic capability, schedule and cost data provisioned by Airservices Australia Pty Ltd in the form of a not-to-exceed price for the Defence contribution for the common and Defence unique elements delivered under the OSA.

On 18 August 2017, due to concerns over an inability to finalise negotiations within acceptable cost and schedule parameters, AIR5431 Phase 3 was listed as a POC.

In February 2018, AIR5431 Phase 3 was granted a Real Cost Increase (RCI) of \$243.0m (including contingency) to cover Defence's contribution for the agreed collaboration options, a transition radio solution AGAT, and ADATS LOTE and facilities preparation costs related to CMATS installation. This RCI allowed Defence to agree to a fixed price contribution for the Defence deliveries under the OSA, which allowed Airservices Australia Pty Ltd to sign contracts with Thales Australia Ltd, and other contractors subsequently, for the joint supplies.

AIR5431 Phase 3 was removed from the POC list on 8 May 2018 as a result of the contract with Airservices Australia Pty Ltd being established, but remained as a Project of Interest with bi-annual updates to Government.

On the 27 October 2022, the Minister for Defence Industry declared AIR5431 Phase 3 would be relisted as a POC due to ongoing cost, schedule and technical challenges with the CMATS aspects of the program. The Minister of Defence Industry has facilitated POC summits on 2 December 2022, 31 March 2023, 19 September 2023 and 8 December 2023 between Thales Australia Ltd, Airservices Australia Pty Ltd and Defence.

The POC summits have facilitated a remediation plan that focussed on stabilising project requirements, establishment of a credible and reliable schedule, an improved governance framework and a revised payment regime for delivery of the project.

Key to the remediation effort was Customer commitment to the Thales Australia Ltd's proposed alternative CMATS deployment strategy, that introduced a single integrated CMATS product line (as opposed to two), verified against the R1 baseline for deployment. The plan recommended other program efficiencies such as deployment to Civil sites first followed by Defence sites, and early de-risking and demonstrations to be completed at RAAF Base East Sale.

The December 2023 POC summit agreed the POC exit criteria and confirmed that all remediation activities to enable execution of the CCP to implement the revised CMATS deployment strategy had been achieved.

A payment pause of OSA payments to Airservices Australia Pty Ltd that took effect in March 2023 to align with Airservices Australia

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<p>Pty Ltd suspension of payments to Thales Australia Ltd until the agreed Cost Checkpoint Milestone was achieved. The suspension of payments to Thales Australia Ltd was lifted at execution of the Deed of Settlement, and Defence recommenced payments to Airservices Australia Pty Ltd in April 2024, following execution of Variation 9 to the OSA in March 2024.</p>	
<p>Uniqueness</p> <p>AIR5431 Phase 3 represents the first time that a Defence project is contributing to a major national infrastructure project. The December 2009 National Aviation White Paper identified the need to implement a harmonised national civil and military ATM system. The activities identified in the National Aviation White Paper for the implementation of a comprehensive, collaborative approach to nation-wide ATM included the procurement of a single solution ATM platform between Civil and Military agencies.</p> <p>At the time of decision to enter into the joint project arrangement, there was no history of a similar governance structure in operation that aligned with the scope of this project. As a consequence, Airservices Australia Pty Ltd and Defence have established and continued to refine the joint delivery structure without the benefit of adapting from proven existing models.</p>	
<p>Major Risks and Issues</p> <p>Airservices Australia Pty Ltd and Defence manage risks separately in accordance with their respective risk management frameworks. The CMATS and ADOT joint program risk register is maintained by Airservices Australia Pty Ltd and considers risks that collectively impact Defence and Airservices Australia Pty Ltd. AIR5431 Phase 3 operates a risk register for Defence specific /unique risks and issues. All major risks that have an impact on AIR5431 Phase 3 delivery have been recorded, regardless of where they are managed.</p> <p>During the reporting period, the risks identified for AIR5431 Phase 3, the CMATS joint program and ADOT continue to relate to the categories of contractor performance, schedule, workforce, customer furnished (materials, supplies, services, data), and program delivery, as follows:</p> <ul style="list-style-type: none"> Contractor performance covering system design processes and engineering approaches, sufficiency of technical documentation and evidence to satisfy compliance, integration with customer interfaces and services, and resource capacity to deliver the capability. Scheduling and management of activities and dependencies in a credible IMS to enable the management of resources, obligations, critical path priorities and constraints. Resourcing/ workforce sufficiency and suitability across the OneSKY program, including adequate support to key activities and milestones. Customer Furnished Materials, Supplies and Services including provision, delivery, non-compliance, delays to, deficiencies in, or unavailability of Defence third-party systems, infrastructure and networks. Program delivery risks associated with the fulfilment of obligations established under the OSA for the delivery of the CMATS and ADOT capabilities to Defence, management of project scope, integration and governance, and appropriate engagement and preparation of the workforce for transition. <p>Overall decrease in risk since the previous report is due to the completion of the POC remediation plan actions that resulted in the resolution of a number of contractor performance, governance, schedule and project delivery issues, settled via the changes to the Contract (Acquisition) and Deed of Settlement. Some of the Defence obligations have reduced, in part, due to their relationship to milestones in the Thales Australia Ltd schedule, resulting from delivery to Defence sites to now follow Civil sites.</p> <p>The key issues impacting Defence and requiring active management include:</p> <ul style="list-style-type: none"> Fitness for purpose of the OSA to manage the on-supply of sustainment services from Airservices Australia Pty Ltd. The current approved AIR5431 Phase 3 acquisition project budget and remaining contingency provision, is insufficient to complete the Project. Water ingress at the technical equipment room at East Sale has resulted in remediation work to ensure safety, operational compliance and warranty of the installed system. 	
<p>Other Current Related Projects/Phases</p> <p>AIR5431 Phase 1 - Deployable Defence ATM Capability will introduce Deployable ATM command and control systems into the Australian Defence Force inventory. This phase has no impact on the ability of AIR5431 Phase 3 to deliver its outcomes.</p> <p>AIR5431 Phase 2 - Fixed Defence ATC Surveillance System will replace the existing fixed base Defence ATC surveillance radars. AIR5431 Phase 3 is highly reliant on AIR5431 Phase 2 to deliver ATC surveillance data at some sites, prior to the commissioning of those sites.</p>	
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>	

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Dec 14	Original Approved (Government Second Pass Approval)	731.4	1
Total at Second Pass Approval		731.4	
Dec 17	Real Variation – Budgetary Adjustment	(6.8)	2
Feb 18	Real Variation – Real Cost Increase	247.5	3
Nov 21	Real Variation – Transfer	1.7	4

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

Dec 21	Real Variation – Transfer	15.5	4
Feb 22	Real Variation – Transfer	17.6	4
Mar 23	Real Variation – Transfer	(0.6)	5
Jun 24	Exchange Variation	4.1	
Jun 24	Total Budget	1,010.0	6
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Airservices Australia Pty Ltd	(418.1)	
	Contract Expenditure – Jacobs Australia Pty Ltd – Integrated Work Package (IWP)	(82.9)	
	Contract Expenditure – BAE Systems Australia Pty Ltd	(55.9)	
	Other Contract Payments / Internal Expenses	(54.3)	7
		(611.2)	
FY to Jun 24	Contract Expenditure – Jacobs Australia Pty Ltd – IWP	(15.6)	
	Contract Expenditure – BAE Systems Australia Pty Ltd	(7.5)	
	Contract Expenditure – Airservices Australia Pty Ltd	(-)	8, 9
	Other Contract Payments / Internal Expenses	(7.9)	10
		(31.0)	
Jun 24	Total Expenditure	(642.2)	
Jun 24	Remaining Budget	(367.8)	
Notes			
1	In addition to direct project costs, Defence received approximately \$175.0m for Major Capital Facility costs and enabling Information and Communications Technology (ICT) costs.		
2	This variation is due to administrative decisions to temporarily harvest funds from the project. These funds were returned to the project as part of the RCI approved in February 2018. These funds were part of the original Second Pass approval budget.		
3	An RCI of \$249.7m was approved by Government in February 2018 to cover additional costs related to the acquisition. This includes \$2.2m for Air Force to relocate the current Tindal Australian Military Airspace Control Communications System (AMACCS) ATC radio equipment site, leaving \$247.5m for Capability Acquisition and Sustainment Group (CASG) related costs (additional CMATS costs, AGAT radio solution, ADATS LOTE and facilities preparation costs related to CMATS installation). This figure includes the \$6.8m returned to the project to correct the budgetary adjustment which occurred in December 2017. Given this, the total approved RCI above Second Pass approval is \$242.9m including the \$2.2m for Air Force.		
4	Air Force Group Project Budget transferred to CASG as part of FY 2021-22 Additional Estimates for financial management purposes. Subsequent transfers include an adjustment for FY 2020-21 underspend and a transfer from Security and Estate Group (SEG) to Air Force Group for funding related to existing tower demolition.		
5	Air Force Group Project Budget (part of CASG budget) transferred to SEG for funding related to ATC Communications Facilities Study.		
6	The total budget includes planned expenditure for the AGAT solution, ADATS LOTE, Defence site preparation and support, and ATM CAP. These procurements have been incorporated into Section 2.3 as each agreement was reached. ATM CAP is being managed by S&C SPO, under existing support arrangements with Raytheon Australia Pty Ltd.		
7	Other Contract Payments Prior to July 2023 include expenditure on site preparation, ATC automation system Autotrac II update procurement, and project management costs such as travel, training, project specific ICT expenses, and external legal services.		
8	Payment pause of OSA payments to Airservices Australia Pty Ltd took effect March 2023, to align with Airservices Australia Pty Ltd suspension of payments to Thales Australia Ltd. Airservices Australia Pty Ltd recommenced payments to Thales Australia Ltd upon execution of the Deed of Settlement. Defence recommenced payments to Airservices Australia Pty Ltd following execution of Variation 09 of the OSA on 1 March 2024, with these payments treated as pre-payments towards the delivery of Defence CMATS and ADOT capability.		
9	The Project changed its accounting treatment of OSA payments to more realistically reflect accrual of capability delivery to Defence. The approach treats OSA payments that contribute to the payment of Thales Australia Ltd's actual costs, as pre-payments until a milestone is achieved in later financial years at which point, expenditure is realised.		
10	Other Contract Payments in FY to June 2024 include expenditure on the ATM CAP (\$4.8m), site preparation (\$2.6m), external legal services (\$0.3m), project management costs such as travel (\$0.2m) and project specific training and ICT expenses (\$0.03m).		

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2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
110.7	58.1	36.9	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : Variation is primarily due to a payment pause of OSA payments to Aircservices Australia Pty Ltd early 2023. <u>PAES to Final Plan</u> : Variation is primarily due to a change in accounting treatment for remaining OSA payments, and delays to establishing ATM CAP due to contractor capacity and timing of Defence decision making.
Variance \$m	(52.6)	(21.2)	Total Variance (\$m): (73.8)
Variance %	(47.5)	(36.5)	Total Variance (%): (66.7)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(4.1)	Australian Industry	The variation is due to: <ul style="list-style-type: none"> Re-phasing of the AGA Remote Radio scope from May 2024 to October 2024 as a result of prioritising Site Acceptance milestones for the AGAT Solution. Delay in establishing the ATM CAP CCP with Raytheon for Tranche 1 of the activity. Reduced achievement against the contracted workforce budget due to a reduction in Major Service Provider resources. Less than anticipated operating expenses due to lower project management and Air Force operating costs.
		-	Foreign Industry	
		-	Early Processes	
		(1.8)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
			Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
36.9	31.0	(5.9)	Total Variance	
		(16.0)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 June 24 \$m			
Jacobs Australia Pty Ltd – Integrated Support Contract (ISC)	Dec 14	107.7	27.0	Variable	Modified Standard Defence Contract	1, 2
Aircservices Australia Pty Ltd	Feb 18	521.0	560.8	Firm or Fixed	On Supply Agreement	1, 3
Jacobs Australia Pty Ltd – IWP	Dec 18	47.0	87.1	Variable	Integrated Work Package	1, 4
BAE Systems Australia Pty Ltd – AGA Transition System	Nov 19	67.4	70.6	Firm or Fixed	Support Contract Survey & Quote	1
Notes						
1	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current budgeted exchange rates, and includes adjustments for indexation (where applicable).					
2	The Jacobs Australia Pty Ltd - ISC contract was closed following the transition to a Branch wide Jacobs Australia Pty Ltd -IWP contract.					
3	CMATS will be procured via the contracts (Acquisition) and (Support) between Aircservices Australia Pty Ltd and Thales Australia Ltd. Aircservices Australia Pty Ltd manages both contracts with Thales Australia Ltd on behalf of Defence through the OSA. Due to exchange rate variance, the addition of Defence approved scope and the inclusion of contract (Support), the price of the OSA will increase over time.					
4	The project workforce structure is based on the CASG First Principles Review with 80% of project staff delivered under the IWP contract. Contract value is the estimated project share of the Branch IWP contract and is based on the current Purchase Order commitment and an estimate of project expenditure for work packages to the end of June 2024. The project obtained approved contingency to extend the Major Service Provider (MSP) workforce, however this provision has not yet been applied.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Jacobs Australia Pty Ltd – ISC	N/A	N/A	Service based integrated support.	1
Aircservices Australia Pty Ltd	N/A	N/A	Through the OSA Aircservices Australia Pty Ltd will deliver: CMATS combined control tower and approach centres at Amberley (including Oakey	2

			approach), East Sale, Williamtown, Tindal and Nowra; consolidated Darwin and Townsville approach services at Airservices Australia Pty Ltd Brisbane approach centre; CMATS control tower systems at Darwin, Townsville and Pearce; ADOT systems at Richmond, Oakey, Edinburgh and Gingin; a simulator system at SATC and an Operational Maintenance Trainer at Amberley.	
Jacobs Australia Pty Ltd – IWP	N/A	N/A	Service based integrated support.	-
BAE Systems Australia Pty Ltd	N/A	N/A	Procurement, design, integration and installation of an AGAT system across the 12 Defence sites. This includes the procurement and integration of radio communications equipment that will supplement the existing AMACCS (currently sustained by BAE Systems Australia Pty Ltd) to enable transition of CMATS.	-

Major equipment accepted and quantities to 30 Jun 24

The project has accepted AGAT Mission Systems for Darwin, Oakey, Pearce, Gingin, East Sale, Edinburgh, Amberley, Richmond and Tindal.

Notes

1	This Jacobs Australia Pty Ltd - ISC contract was closed following the transition to a Branch wide Jacobs Australia Pty Ltd - IWP contract.
2	This was a result of agreeing alternate control tower systems for Oakey, Gingin, Richmond and Edinburgh (previously referred to as the Four Alternate Tower Solution and now referred to as the ADOT system), to be delivered within the agreed fixed-price cap of \$521.0m. The obligation for Airservices Australia Pty Ltd to provide ADOT was established through the OSA signed 22 February 2018. The ADOT Functional Performance and Requirements Specification was endorsed between Defence and Airservices Australia Pty Ltd at the OneSKY Configuration Control Board held June 2022.

2.4 Australian Industry Capability

Summary

The project has no contracted Australian Industry Capability (AIC) targets or AIC Plan in place for Airservices Australia Pty Ltd. Thales Australia Ltd, as the prime systems integrator for the CMATS system, was required to establish an Australian Industry Participation Plan using the model developed by Department of Industry, Science and Resources.

The project has an AIC plan in place for BAE Systems Australia Pty Ltd with contracted AIC commitments. BAE Systems Australia Pty Ltd are required to identify Local Industry Capability in the support of their procurement, design, integration and installation activities.

The project has no contracted AIC targets or AIC plan in place for Jacobs Australia Pty Ltd. The project sources Jacobs Australia Pty Ltd - IWP services via the Air and Space Surveillance and Control Branch MSP contract through 12-monthly work packages funded by AIR5431 Phase 3 for relevant scope of work.

Note

AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	CMATS System Requirements Analysis	Aug 17	N/A	Jan 18	5	1
Preliminary Design Release Zero (RZ)	CMATS	Oct 19	N/A	Dec 19	2	2, 4
Critical Design RZ	CMATS	Apr 20	Sep 20	Dec 20	8	2, 5
Design Release Baseline Review (DRBR) RZ (Block 1)	CMATS	Apr 21	Jun 21	Jun 21	2	7, 5
Support System Critical Design Review (CDR) RZ	CMATS	Apr 20	Jun 21	Nov 21	19	8

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Preliminary Design Review R1 Final	CMATS	Jan 22	Jul 22	Oct 22	9	3
Critical Design Review R1	CMATS	Sep 22	Jun 26	Apr 26	43	9
Preliminary Design Review R2	CMATS	Jun 23	N/A	N/A	N/A	9
Critical Design Review R2	CMATS	Feb 24	Apr 27	Apr 27	38	9
System Requirements	ADOT	Apr 21	Apr 21	Oct 21	6	6,10
Notes						
1	Airservices Australia Pty Ltd entered into contacts with Thales Australia Ltd for the acquisition of CMATS in February 2018. System Requirements Analysis was achieved later than expected due to an underestimation of the effort required to develop the Functional Baseline.					
2	Release Zero (RZ) was the initial Defence system build for the first five Defence sites and represented the minimum software functionality for safe air traffic services at Defence sites. R1 is a software release that represents the minimum functionality required for Airservices Australia Pty Ltd and now Defence, following implementation of the CMATS alternative delivery strategy. Release 2 (R2) is a software release that represents the full contract scope of CMATS.					
3	The CMATS alternative delivery strategy required Thales Australia Ltd to conduct a schedule re-plan of the CMATS contract and an update to the contracted Attachment C Delivery Schedule via CCP041. As a result, the Current Contracted date for Preliminary Design Review R1 Final was updated to July 2022, with the Milestone Acceptance Certificate reflecting Customer Acceptance in October 2022. Consequently the dates have been corrected in the PDSS, with the prior year's disclosure considered an oversight.					
4	Although the design review was exited in December 2019, a number of technical issues were not resolved but were planned for completion by August 2020. This was not achieved and the issues rolled into CDR activities.					
5	CMATS CDR was exited with a number of significant deficiencies, however these were managed through a process called a DRBR. DRBR was completed in June 2021 but the specifications at DRBR required updating to meet the entry criteria for the formal RZ system verification activity. CDR RZ was formally completed at execution of the Deed of Settlement in December 2023.					
6	Airservices Australia Pty Ltd signed contracts with Saab, Inc. and Frequentis Australasia Pty Ltd in December 2020. Airservices Australia Pty Ltd have received baselined schedules from both contractors and are integrating these schedules into the IMS to align the design, integration and site rollout activities across ADOT and CMATS. The milestone for ADOT System Requirements was contract execution date + 3 months and relied on completion of the System Requirements Milestone for a dependent Airservices Australia Pty Ltd Regional Tower Solution (RTS) project. The variance is due to RTS System Requirements achievement impacting ADOT System Requirements achievement.					
7	This milestone is not part of the original contract milestones and is specific to the Deed negotiated with Thales Australia Ltd to complete the significant number of outstanding actions arising from CDR RZ. However, the DRBR in June 2021 was for an interim specification and did not meet the entry criteria for entry into Test Readiness Review RZ.					
8	The variance is due to a combination of impacts of schedule delay to previous design milestones, and for the period June 2021 to November 2021, due to late delivery of the Contractor Data Requirements List artefacts to the customer prior to entering the review.					
9	The CMATS alternative delivery strategy introduced a single integrated CMATS common baseline (incorporating RZ into R1), verified against the R1 baseline for deployment. Updated Current Contracted dates are based on the new Attachment C Delivery Schedule dates, executed via a CCP041. The updated Forecast dates are based on the Contractor's Master Schedule. The PDR R2 Milestone was removed from the contracted Delivery Schedule via CCP041.					
10	Prior years' disclosures that System Requirements for ADOT in the categories of Original Planned, Current Contracted and Achieved/Forecast were 'Not Yet Agreed' and 'Not Applicable' have been corrected. The issue is related to the conduct of System Requirements against an earlier version of the ADOT functional performance and requirements specification.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
RZ System Verification	CMATS	Jun 21	N/A	N/A	N/A	2, 5
R1.8 System Verification	CMATS	Mar 23	Feb 27	Nov 26	44	2, 4
System Acceptance	SATC – CMATS	Jan 22	Jun 28	Feb 28	73	2, 3, 4
	RAAF Base East Sale - CMATS	May 22	Jun 28	Mar 28	70	2, 3, 4
	RAAF Base Amberley - CMATS	Jun 22	Jun 28	Mar 28	69	2, 3, 4
	RAAF Base Edinburgh - ADOT	Jun 22	Sep 26	Apr 27	58	1
	RAAF Base Pearce - CMATS	Oct 22	Feb 29	Oct 28	72	2, 3, 4
	RAAF Base Gingin - ADOT	Oct 22	Nov 26	Jun 27	56	1
	RAAF Base Tindal - CMATS	Nov 22	Jan 29	Oct 28	71	2, 3, 4
Army Aviation Centre Oakey - ADOT	Nov 22	Jun 27	Jan 28	62	1	

	RAAF Base Townsville - CMATS	Nov 23	Oct 28	May 28	54	2, 3, 4
	Naval Air Station Nowra - CMATS	Mar 24	Mar 29	Dec 28	57	2, 3, 4
	RAAF Base Williamtown - CMATS	Apr 24	Jan 29	Sep 28	53	2, 3, 4
	RAAF Base Darwin - CMATS	Apr 24	Oct 28	May 28	49	2, 3, 4
	RAAF Base Richmond - ADOT	May 24	Oct 26	May 27	36	1
RZ System Acceptance	CMATS	Aug 22	N/A	N/A	N/A	2
R1 System Acceptance	CMATS	Jul 24	Apr 29	Dec 28	53	2, 3, 4
R2 System Acceptance	CMATS	Feb 25	Aug 29	May 29	51	2, 3, 4
Final Acceptance	CMATS	Aug 25	Feb 30	Nov 29	51	2, 3, 4
Notes						
1	The Original Planned date was based on the original contract before these sites were de-scoped from the Thales Australia Ltd contract. Current Contracted dates are in accordance with the Saab Inc. CMS. The Achieved/Forecast dates include a risk duration due to known gaps in the contractor schedules. The variance is predominately due to a schedule re-baseline following execution of Contract Variation Proposal 2 that incorporated the Defence-specific requirements for ADOT.					
2	Original Planned dates are based on the original contract Delivery Schedule for RZ and R1 System Verification, System Acceptances at Defence sites, and software R1 and R2 Acceptance, as that would have represented the original delivery of CMATS to Defence.					
3	Current Contracted dates are based on the current contract Delivery Schedule for R1 System Acceptances at Defence sites, as this will now be the initial delivery of CMATS to Defence. The Achieved/Forecast dates are representative of the Contractor's Master Schedule.					
4	The variance to the Achieved/Forecast dates are as a result of the revised CMATS deployment strategy, that sought to address ongoing cost, schedule and technical challenges through a simplified software development and delivery approach of an integrated CMATS common product, verified against the R1 software baseline, deployed to Civil sites first, followed by Defence sites.					
5	RZ System Verification has been combined with R1.8 System Verification Military in accordance with the revised CMATS deployment strategy. The Original Planned date has been corrected to Jun 21, with prior N/A disclosures since FY 2017-18 identified as an oversight as the Original Planned date for RZ System Verification was agreed in February 2018 upon execution of the CMATS Acquisition Contract.					

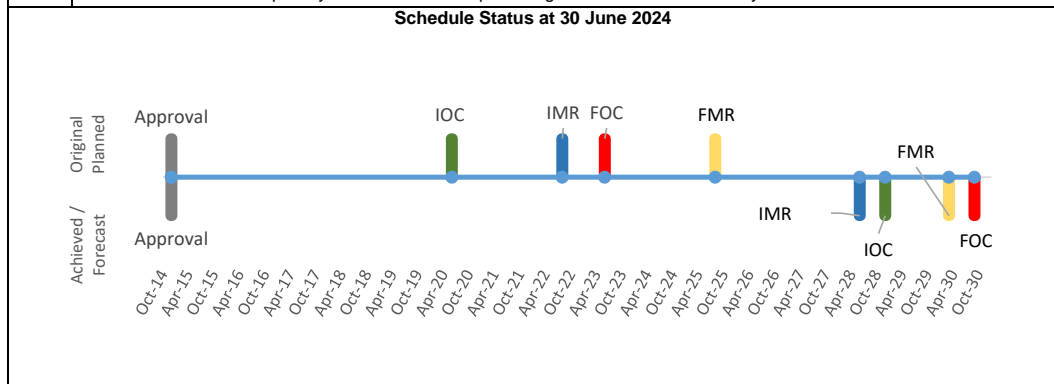
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Aug 22	Quarter 2, 2028	70	1, 2
Initial Operational Capability (IOC)	Jun 20	Quarter 4, 2028	102	2, 3, 4
Final Materiel Release (FMR)	Aug 25	Quarter 1, 2030	55	1, 2
Final Operational Capability (FOC)	Jun 23	Quarter 3, 2030	87	2, 4

Notes	
1	The IMR and FMR milestones reflect the advice provided to Government in December 2019 and are included in Materiel Acquisition Agreement (MAA) Version 3. The timing between IMR to IOC and FMR to FOC are constant. The apparent differences in variance between IMR/IOC and FMR/FOC is the result of using a different basis for the original date. The original date for IOC/FOC is the tender documentation whereas the original date used for IMR/FMR is the February 2018 Thales Australia Ltd contract date for those milestones. The IMR/FMR dates are only for the Thales Australia Ltd contract.
2	The variances in the identified milestones are the result of a number of cumulative factors including: a protracted negotiation period, schedule delays resulting from the inclusion of scope post contract, incorporated through CCPs, ongoing cost, schedule and technical challenges, and a change to the CMATS delivery strategy that now shifts delivery to Defence sites to follow Civil sites. The new forecast dates for IOC and FOC are linked to the achievement of Site Acceptances in CMATS Contract (Acquisition) Milestone Delivery Schedule. The Project has not yet sought Government endorsement for the revised forecast IOC and FOC dates.
3	IOC also includes RAAF Base Edinburgh ADOT.
4	Achieved / Forecast Capability Milestone dates reported against Quarters are conveyed in Calendar Year.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project expects to meet the capability requirements as expressed in the Joint Project Directive, MAA and relevant Technical Regulatory Authority. While there have been a number of changes in the way Defence scope is to be delivered through the collaboration options initiated by Airservices Australia Pty Ltd, these will not impact on the safe delivery of Defence air traffic services.
	Amber: N/A
	Red: N/A

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Amberley, East Sale (including SATC) and Edinburgh transitioned from ADATS. Expected Achievement Quarter 2 2028.	Not yet Achieved
Initial Operational Capability (IOC)	Amberley, East Sale, SATC and Edinburgh have been accepted into operational service. Expected Achievement Quarter 4 2028.	Not yet Achieved
Final Materiel Release (FMR)	Delivery of all materiel system elements configured to the final system build for both ADOT and CMATS mission systems. Expected Achievement Quarter 1 2030.	Not yet Achieved
Final Operational Capability (FOC)	All Defence sites have been accepted into operational service. Expected Achievement Quarter 3 2030.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Poor provision of, or delays to Customer Furnished Materials, Supplies and Services including non-compliance of, deficiencies in, or functional availability third-party systems and infrastructure, or a misalignment of network availability targets, may impact achievement of certification, and result in the customer impacting the schedule and require remediation.	Treatment involves close coordination with the Sponsor, S&C SPO, Airservices Australia Pty Ltd Integration team and the contractor to actively manage timely provision of fit for purpose Customer Furnished Material.
2	Divergent organisational goals, misalignment of governance structures and conflicting objectives and priorities, may impact delivery and result in a failure to satisfy customer capability expectations.	This risk is being addressed through the update of joint strategic plans, enhancements to the joint governance arrangements, implementation of POC remediation actions and alignment on stakeholder communications and engagement.
3	Delivery of ADOT may be affected by a lack of documented scope, disconnects in the allocation of scope between contractors, and poor integration, governance and resourcing, leading to a delayed ADOT that is not fit for purpose.	Defence staff embedded in the Joint Project Team ensure Defence requirements for ADOT are achieved in accordance with the ADOT Functional Performance Requirements Specification and OSA.
4	Thales Australia Ltd's design processes do not recognise Defence facilities constraints, this may lead to schedule delay and increased costs to the customer.	This risk was retired as a result of the successful implementation of the POC remediation plan through the execution of a nil-cost CCP to the CMATS contract.
5	The Joint Software Support Facility may not be available or operationally effective in time for demonstrating systems readiness, this may cause delays to commissioning at sites.	This risk was retired as a result of the successful implementation of the POC remediation plan through the execution of a nil-cost CCP to the CMATS contract.
6	Insufficient Defence and Airservices Australia Pty Ltd Joint Project Team resources, with adequate skills/experience prioritised across functional streams, may result in quality and schedule impacts to key activities and milestones, and wellbeing impacts to individuals.	Resource requirements are being assigned in the project schedules and IMS to inform current and future resource requirements, and support planning and resource strategies.
7	CMATS system and software verification may be impacted by a failure of Thales Australia Ltd to produce suitable documented evidence to support verification and validation of regulatory software assurance levels.	Resolution of a number of outstanding technical issues was achieved through POC remediation. The Customer and Thales Australia Ltd are progressing through verification and validation of the software through a process that tests the software release in blocks.
8	The systems engineering approach adopted by Thales Australia Ltd does not align with the contracted software design model, this increases the complexity of baseline management, assurance activities and complicates delivery of a systems solution.	This risk was retired as a result of the successful implementation of the POC remediation plan that focused on resolving the technical issues that contributed to the project's listing as a POC.
9	Thales Australia Ltd's resource profile, including sub-contractors, may not support the resource demand associated with parallel design and development and software verification activities across multiple release blocks, leading to schedule delay and cost pressures.	Thales Australia Ltd are managing to a resource management plan and resource resiliency is being monitored via the program performance framework and reported through the Program Review Board and governance groups and forums established through the OSA.

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10	Site acceptance activities may be impacted by a requirement to support long-term and ongoing travel obligations.	Remediation of the program resulted in the development of a credible schedule that shifted Defence site installation to follow civil sites, thereby removing the requirement for Defence to support long-term and ongoing travel obligations.
11	Thales Australia Ltd's prioritisation of schedule over quality results in additional work for the Joint Project Team to ensure contract deliverables are fit for purpose, leading to an increase to customer workforce demand.	This risk was retired as a result of the successful implementation of the POC remediation plan.
12	Lack of a mature IMS for CMATS and ADOT, may affect timely and accurate provision of Customer Furnished Material, the effectiveness of Defence resources and result in limitations on the management of cross-program dependencies, constraints and delivery risks, leading to an impact on the continuity of existing ATC services.	Leverage enhanced program governance arrangements to oversee the development and refinement of the IMS, including going management and reporting in accordance with the new performance framework established through the POC remediation process. An ATM CAP has been established to treat obsolescence issues with the existing ADATS ATM System.
13	Thales Australia Ltd's Human Factors approach may not support CMATS outcomes, including improved fitness for purpose based on user-centred design and optimised effectiveness of user performance.	This risk was closed following implementation of the POC remediation plan to effect the alternative CMATS delivery strategy. Residual risk exposure is now being managed under a newly created medium risk.
14	Capability fitness for purpose may be impacted by; ambiguity and known issues, a failure of the contractors to deliver the system requirements within the contract terms or budget, limitation of the technology solution to meet ATM service needs, and failure to integrate with interfaces and services.	This risk was reduced to medium following implementation of the POC remediation plan to effect the alternative CMATS delivery strategy. Extant controls and treatments are considered substantially effective for controlling residual risk exposure.
15	Support system readiness for ADOT commissioning may be impacted by delays to progressing the development of the support system.	Defence is working with Airservices Australia Pty Ltd to define the support system for ADOT through development of a support concept and inclusion of requirements into the specification.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Delivery of CMATS and ADOT may be impacted by the effectiveness of the Joint Program management of program risks, contractor performance, and integrated schedules and dependencies, leading to an impact on cost, schedule and scope thresholds.	POC established clear Joint Project Team roles and responsibilities, a robust governance structure and performance framework to enhance project delivery effectiveness, oversight and management.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Early exit of the CDR with major deficiencies in the RZ Design still to be addressed.	This issue was retired following agreement to Alternative CMATS Delivery Strategy "Straight to Release 1" that prioritised a single integrated CMATS product line (as opposed to two), verified against the R1 baseline and the consequent removal of RZ.
2	The increased cost of the project's MSP arrangement as a result of delays to the contractor's delivery schedules.	This issue was retired at the September 2023 Risk Workshop on the basis that the role of the Joint Project Team had been redefined, and that a call on contingency funding to extend the MSP workforce to the (then) estimated Project closure had been approved.
3	The OSA is not fit for purpose to manage the on-supply of sustainment supplies and services from Airservices Australia Pty Ltd.	Airservices Australia Pty Ltd and Defence have agreed to a cost-sharing regime for the sustainment of CMATS and ADOT, and via the Australian Civil-Military Air Traffic Management Committee forum, agreed to progress the development of a new arrangement to manage the capabilities and cooperation initiatives during the sustainment phase.
4	Through-life supportability of the Integrated Tower Automation Suite (INTAS) product for ADOT may not be viable following NAV CANADA's announcement that they are ceasing system development of the INTAS product.	This issue was retired following Saab's procurement of the Intellectual Property rights for the INTAS tower automation product, demonstration of their organisational capacity to rapidly establish a product development team to undertake Original Equipment Manufacturer accountabilities and advice from Airservices Australia Pty Ltd that ADOT would be delivered to Defence for the required Life of Type.

5	The current approved AIR5431 Phase 3 acquisition project budget and remaining contingency provision, is insufficient to complete the Project.	In addition to a Smart-Buyer activity to identify and validate project budget requirements to Project closure, undertake detailed cost and risk analysis to comprehensive detail the RCI proposal.
6	Water ingress at the technical equipment room at East Sale has resulted in remediation work to ensure safety, operational compliance and warranty of the installed system.	Engage Thales Australia Ltd to remediate water damaged equipment utilising the Problem Resolution Services mechanism under the CMATS Contract (Acquisition).
7	The issue is not for publication.	

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 15 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. A lack of resources at the initiation stage of the project and during Request for Tender preparation, can create technical gaps and stakeholder misalignment that may impact baselining requirements, forecasting a realistic schedule, determining future workforce requirements and establishing governance structures that support effective joint decision-making.	Program, Project & Product Management/ Commercial Management
DLR Lesson Type – Observation. Long-running untreated schedule maturity issues increases program risk, results in sub-optimal short-term and long-term planning beyond the nearest major milestone and has a direct impact on the management and timely delivery of dependent projects and customer furnished material. CMS logic must reflect the logic agreed to in the contract, to ensure activities are sequenced according to precedence and priority.	Program, Project & Product Management
DLR Lesson Type – Observation. Aggressive timeframes to meet schedule milestones leads to compressed timeframes to effectively engage stakeholders (operational, engineering/technical and strategic), which can result in substandard requirements management. As such, schedules should include defined activities related to stakeholder consultation and alignment throughout the capability delivery life-cycle.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Air Defence and Space Systems Division
Branch	Air and Surface Surveillance and Control

Project Data Summary Sheet¹

Project Number	AIR6000 Phase 2A/2B
Project Name	NEW AIR COMBAT CAPABILITY
First Year Reported in the MPR	2010-11
Capability Type	Replacement
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Nov 06
Government 2nd Pass Approval	Nov 09 - Stage 1 Apr 14 - Stage 2
Budget at 2nd Pass Approval	\$13,264.1m
Total Approved Budget (Current)	\$16,589.1m
2023–24 Budget	\$566.6m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

<p>The AIR6000 Phase 2A/2B project is introducing the F-35A Joint Strike Fighter (JSF) capability that will meet Australia’s air combat needs out to 2030 and beyond. The project is approved to acquire 72 Conventional Take Off and Landing (CTOL) F-35A JSF aircraft to establish three operational squadrons, a training squadron and necessary supporting/enabling elements to replace the F/A-18A/B Hornet capability.</p> <p>Lockheed Martin Corporation is contracted to the United States (US) Government for the development and production of the F-35A JSF. The aircraft and associated support systems are being procured through a government to government co-operative agreement with the US and JSF partner nations, comprised of the United Kingdom, Canada, Italy, Denmark, Norway and the Netherlands. Additional nations are procuring the F-35 JSF via US Foreign Military Sales (FMS).</p>
<p>Note</p> <p>In July 2019 the US Government made a unilateral decision to suspend Turkey from the F-35 Program. Turkey is no longer a member of the F-35 partnership.</p>

1.2 Current Status

<p>Cost Performance</p> <p><u>In-year</u></p> <p>As at 30 June 2024 the cost variance was 2.0% which resulted from an \$11.1m overspend against 2023-24 Budget Estimates. The net variation was driven by earlier than expected invoicing for delivered Support Equipment, offsetting a delayed facilities milestone payment and FMS Weapons deliveries/disbursements.</p> <p><u>Project Financial Assurance Statement</u></p> <p>As at 30 June 2024, project AIR6000 Phase 2A/2B has reviewed the project’s approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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.</p> <p><u>Contingency Statement</u></p> <p>The project has not applied contingency in Financial Year (FY) 2023-24.</p>
<p>Schedule Performance</p> <p>All nine Australian Lot 15 air vehicles have completed post-production test flights and are awaiting final software load and formal acceptance activities. The Australia Canada United Kingdom Reprogramming Laboratory (ACURL) Phase 2 facility is six months behind schedule due to construction delays attributed to poor weather and workforce shortages. The delay will not impact capability, as the current ACURL infrastructure is sufficient to support F-35 reprogramming requirements in the medium term. Lockheed Martin Corporation and the US F-35 Joint Program Office continued work to ensure the agreed technical solution for Distributed Mission Training is delivered in Quarter 3 2024.</p> <p>Expansion of Australian-based maintenance capacity is progressing steadily, with the Asia-Pacific F135 Propulsion Full Depot Capability and approval provided for repair of Mini-Modules outside of the US. Work by BAE Systems Australia Limited to expand Air Vehicle Depot Maintenance capacity continues, although the State Significant Development Application for Stage Two expansion from six to 13 maintenance bays are delayed until Quarter 3 2024. US certification was provided to conduct maintenance within authorised facilities at Royal Australian Air Force (RAAF) Base Williamtown and RAAF Base Tindal.</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>Most of the capability requirements of Final Operational Capability (FOC) are delivered by the extant integrated F-35A Air System and new developments are on track for incorporation in Air Vehicle production Lot 15. The Verification & Validation (V&V) Program</p>

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO’s review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

has progressed well, mitigating risks to FOC, despite minor COVID-19 impacts.
Note
Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

<p>Background</p> <p>AIR6000 was established in 1999 to replace the air combat capabilities provided by the F/A-18A/B and F-111 fleets. In 2002, Government identified the Lockheed Martin Corporation F-35A JSF as the preferred option and joined the System Development and Demonstration (SDD) phase of the JSF Program as one of nine partner nations. The decision by Government to acquire the F-35A JSF has been taken progressively, including:</p> <ul style="list-style-type: none"> In November 2006, First Pass Approval was achieved that included agreement to join the next phase of the JSF Program and funded project AIR6000 Phase 1B to conduct detailed definition and analysis activities to support Government Second Pass Approval for AIR6000 Phase 2A/2B. In December 2006, the Multilateral Production, Sustainment and Follow-on Development (PSFD) Memorandum of Understanding (MoU) was signed, this facilitated entry into the next stage of the JSF Program. In November 2009, AIR6000 Phase 2A/2B Stage 1 was approved to acquire 14 CTOL F-35A JSF aircraft, including support and enabling elements, commencing in 2014, and allowed commencement of Operational Test in the US and Australia. In April 2014, AIR6000 Phase 2A/2B Stage 2 was approved by Government to acquire an additional 58 CTOL F-35A JSF aircraft and enabling elements. The combined acquisition of 72 aircraft will achieve FOC in 2023 comprising of three operational squadrons of fifth generation F-35A JSF to replace the F/A-18A/B Hornet capability. In 2017, Defence advised Government of emerging issues associated with AIR6000 Phase 2A/2B affordability. In 2018 and 2019, Government agreed to Defence proposals to defer elements of project scope to later unapproved AIR6000 program phases. The majority of these scope items were no longer needed, as FOC requirements will be met without major upgrades. The project was listed as a Project of Interest in the June 2017 Quarterly Performance Report due to the inability to deliver one element of capability required for FOC. Although Initial Operational Capability (IOC) was realised on schedule in December 2020, the project remains a Project of Interest due to its size and complexity.
<p>Uniqueness</p> <p>The JSF Program was established by the US Government as the first international collaborative development program for a US military aircraft. The program includes initial design, production, follow-on development and through life support of the JSF global fleet. The JSF Program is expected to deliver over 3,000 aircraft to the MoU Partners (with the US to acquire approximately 75 per cent of the total) with the potential for significant additional aircraft procurements by FMS customers. Due to strict US export restrictions imposed on the JSF Air System, direct commercial sale is not permitted. JSF aircraft and associated supporting systems will be acquired by Australia under the PSFD MoU arrangements. Key factors are:</p> <ul style="list-style-type: none"> The US Government has contracted with Lockheed Martin Corporation and Pratt & Whitney on Australia's behalf in accordance with US contracting laws, regulations and procedures. The F-35 JSF Joint Program Office (JPO) acquisition strategy commenced with 11 annual Low Rate Initial Production (LRIP) contracts transitioning from a Fixed Price Incentive Fee to a Firm-Fixed Price at the appropriate time. The Australian F-35A JSF capability will be supported via an F-35 Global Support Solution (GSS) that is progressively being implemented and a range of Australian sovereign sustainment contracts, with all arrangements planned to be performance-based.
<p>Major Risks and Issues</p> <p>There have been some delays to acceptance of Australia's final nine Air Vehicles. The JPO applied additional resources to accelerate the test program schedule and the Program Executive Officer acknowledged Australia's imperative to achieve FOC, with schedule priority applied to the acceptance of Australian air vehicles. The Capability Manager has confirmed delivery delays won't materially affect F-35A combat capability realisation in the medium term.</p> <p>AIR6000 Phase 2A/2B maintains a systematic risk management framework with the Capability Manager to ensure the remaining project risks at medium and below are actively managed. These various risks primarily concern program governance challenges and cost management demands on the remaining Project budget.</p>
<p>Other Current Related Projects/Phases</p> <p>AIR JSF – System Development and Demonstration (SDD). Participation in the JSF SDD Program. In November 2018, Australia closed the Materiel Acquisition Agreement (MAA) for AIR JSF SDD – Participation in the JSF SDD Program, as all AIR JSF SDD financial milestones were completed. The US expects to formally complete the F-35 program SDD phase, following Operational Test and Evaluation and a US Department of Defense decision to go into full-rate aircraft production.</p> <p>AIR6000 Phase 2C – New Air Combat Capability (NACC) Enablers. This project is subject to Government consideration and seeks to provide support elements to ensure the air combat capability remains lethal, survivable, deployable and available throughout its Life of Type.</p> <p>AIR6000 Phase 3 – Weapons and Countermeasures for Air Combat Capability. This project was approved by Government in May 2018 and will acquire the reserve stocks of air to ground weapons, new countermeasures and ammunition for the F-35A JSF.</p> <p>AIR6000 Phase 5 – Future Air-to-Air Missiles for New Air Combat Capability and Super Hornet. This project was approved by Government in March 2016 and will acquire reserve stocks of air-to-air Within-Visual-Range and Beyond-Visual-Range missiles for the air combat capability including the F-35A JSF.</p> <p>AIR6000 Phase 6 – F-35A Through-Life Capability Upgrades within the Air Combat Program. This project was approved by Government in December 2021. This project will ensure that the Australian F-35A fleet will continue to be modernised through to its life of type.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

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Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Nov 09	Original Approval (Government Second Pass Approval – Stage 1)	2,751.6	
May 12	Real Cost Decrease	(204.4)	1
Sep 12	Real Cost Increase	201.5	1
Jun 14	Government Second Pass Approval – Stage 2	10,515.4	2
	Total at Second Pass Approval	13,264.1	
Jun 18	Real Variation – Transfer	(8.4)	3
Jun 23	Real Variation – Transfer	(31.0)	3
Jul 10	Price Indexation	351.0	4
Jun 24	Exchange Variation	3,013.4	
Jun 24	Total Budget	16,589.1	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – US Government (Block Buy Contract Production)	(4,183.6)	5, 6
	Contract Expenditure – US Government (LRIP11 Production)	(883.8)	5
	Contract Expenditure – US Government (Block Buy Contract Propulsion)	(831.0)	5, 6
	Contract Expenditure – US Government (LRIP10 Propulsion)	(799.9)	5
	Contract Expenditure – US Government (PSFD MoU (FY 2014-15 – 2022-23))	(787.1)	5
	Contract Expenditure – US Government (Lot 15 Production)	(404.3)	5
	Contract Expenditure – US Government (LRIP10 Production)	(234.0)	5
	Contract Expenditure – US Government (LRIP10 Non-Annualised (NA) Sustainment)	(222.4)	5
	Contract Expenditure – US Government (LRIP11 Propulsion)	(165.0)	5
	Contract Expenditure – US Government (FMS Cases AT-D-YAF, AT-P-AMN (Weapons))	(161.0)	5
	Contract Expenditure – US Government (Lot 15 Propulsion)	(146.9)	5
	Contract Expenditure – US Government (LRIP11 NA Sustainment)	(145.5)	5
	Contract Expenditure – US Government (Lot 12-14 Indefinite Delivery Indefinite Quality (IDIQ))	(139.6)	5
	Contract Expenditure – US Government (LRIP8 Production and NA Sustainment)	(132.1)	5
	Contract Expenditure – US Government (Reprogramming Laboratory)	(121.1)	5
	Contract Expenditure – BAE Systems Australia Limited (F-35 Aviation Maintenance, Repair, and Overhaul and Upgrades (AV MRO&U) Services)	(7.5)	5
	Other Contract Payments/Internal Expenses	(2,468.2)	7
		(11,833.0)	
FY to Jun 24	Contract Expenditure – US Government (PSFD MoU (FY 2014-15 – 2023-24))	(129.5)	5
	Contract Expenditure – US Government (Lot 15 Production)	(59.5)	5
	Contract Expenditure – BAE Systems Australia Limited (F-35 AV MRO&U Services)	(54.3)	5
	Contract Expenditure – US Government (LRIP11 NA Sustainment)	(34.5)	5

Notice to reader

2. As per the JCPAA 2023-24 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

	Contract Expenditure – US Government (Block Buy Contract Production)	(28.2)	5, 6
	Contract Expenditure – US Government (Lot 15 Propulsion)	(24.0)	5
	Contract Expenditure – US Government (Lot 12-14 IDIQ)	(14.2)	5
	Contract Expenditure – US Government (Block Buy Contract Propulsion)	(11.7)	5, 6
	Contract Expenditure – US Government (LRIP10 NA Sustainment)	(3.7)	5
	Contract Expenditure – US Government (LRIP10 Production)	(2.9)	5
	Contract Expenditure – US Government (FMS Cases AT-D-YAF, AT-P-AMN (Weapons))	(1.5)	5
	Contract Expenditure – US Government (LRIP11 Production)	(1.0)	5
	Contract Expenditure - US Government (LRIP11 Propulsion)	(0.6)	5
	Contract Expenditure – US Government (LRIP8 Production and NA Sustainment)	(0.1)	5
	Other Contract Payments/Internal Expenses	(212.0)	8
		(577.7)	
Jun 24	Total Expenditure	(12,410.7)	
Jun 24	Remaining Budget	4,178.4	
Notes			
1	A May 2012 budget adjustment (\$204.4m) was applied to AIR6000 Phase 2A/2B based on an incorrect interpretation of the Government's decision to vary the NACC Program. In September 2012, a budget adjustment correction was applied (\$201.5m), using an updated exchange rate. As a result, the project's total approved budget has remained the same as intended by Government.		
2	Government approved AIR6000 Phase 2A/2B Stage 2 in April 2014 for an additional 58 CTOL F-35A JSF aircraft. Allocation of funding occurred in June 2014, following Government Second Pass Approval – Stage 2 in April 2014.		
3	Transfer to Security and Estate Group following request for funding scope changes for RAAF Base Tindal JSF facilities and transfer of scope to AIR6000 Phase 6.		
4	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$70.2m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$280.8m having been applied to the remaining life of the project.		
5	The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.		
6	Previously reported as a single Block Buy Contract that combined the expenditure of the Production and Propulsion.		
7	Other expenditure for the period prior to July 2023 is associated with Support Systems (\$653.6m), Mission Systems (\$614.9m), LRIP6 Production (\$264.6m), PSFD MoU 9/10-13/14 (\$180.9m), FMS Other (\$149.7m), Project Office Services (\$145.9m), FY 2017 Air Vehicle Initial Spares (\$96.7m), CIOG Expenditure (\$92.2m), Lot 12 Air Vehicle Initial Spares (\$88.7m), NACC Operating Expenditure (\$88.0m), LRIP6 Propulsion (\$50.3m), Industry Grants (\$32.6m) and Non-Standard Mission Systems (\$10.2m).		
8	Other expenditure for the period July 2023 to June 2024 is associated with Support Systems (\$135.7m), NACC Operating Expenditure (\$29.4m), FY 2017 Air Vehicle Initial Spares (\$14.0m), Mission Systems (\$11.6m), FMS Other (\$8.2m), Project Office Services (\$7.0m), Industry Grants (\$5.7m), Lot 12 Air Vehicle Initial Spares (\$0.3m) and LRIP6 Production (\$0.1m).		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
870.0	563.5	566.6	<p><u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u>: Air Force approved acceleration of the planned Air Vehicle procurement program in FY 2022/23 drove a corresponding decrease in the FY 2023/24 forecast. Other adjustments included weapons/equipment delivery delays, MoU admin and sustainment components transition to CAF30, engine development costs and refined phasing estimates for reprogramming and spares costs in anticipation of future cost savings.</p> <p><u>PAES to Final Plan</u>: The adjustment was due to net effect of an acceleration of the Air Vehicle Depot Facilities Service Deed Stage 2 contract, offsetting various minor delays including deliveries of equipment, FMS weapons, reprogramming infrastructure and Defence Industry grants.</p>
Variance \$m	(306.5)	3.1	Total Variance (\$m): (303.4)
Variance %	(35.2)	0.5	Total Variance (%): (34.9)

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2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(44.2)	Australian Industry	30 June 2024 – The variation was driven by earlier than expected invoicing for delivered Support Equipment, offset by a delay to a Facilities milestone payment and FMS Weapons deliveries/disbursements.
		55.3	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
566.6	577.7	11.1	Total Variance	
		2.0	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
US Government (PSFD MoU (FY 2014-15 – 2023-24))	Aug 14	253.1	1174.1	Variable	MoU	1, 8, 9
US Government (LRIP10 Production)	Dec 14	79.2	900.2	Firm or Fixed	US Government Contract	2, 8, 9
US Government (LRIP10 Propulsion)	Mar 15	13.4	143.2	Firm or Fixed	US Government Contract	3, 8, 9
US Government (Reprogramming Laboratory)	Mar 15	119.0	123.4	Firm or Fixed	US Government Contract	4, 8, 9
US Government (LRIP8 Production and NA Sustainment)	Jun 15	99.9	153.5	Firm or Fixed	US Government Contract	5, 8, 9
US Government (LRIP11 Production)	Dec 15	88.2	897.7	Firm or Fixed	US Government Contract	6, 8, 9
US Government (FMS Cases AT-D-YAF, AT-P-AMN (Weapons))	Jun 16	243.3	265.4	Reimbursement (for FMS)	FMS	8, 9
US Government (LRIP10 NA Sustainment)	Jun 16	31.8	145.7	Variable	US Government Contract	8, 9, 11
US Government (LRIP11 Propulsion)	Jul 16	14.2	168.6	Firm or Fixed	US Government Contract	8, 9, 10
US Government (Block Buy Contract Production)	Feb 17	236.3	4,238.9	Variable	US Government Contract	7, 8, 9
US Government (Block Buy Contract Propulsion)	Aug 17	39.6	856.6	Variable	US Government Contract	7, 8, 9
US Government (LRIP11 NA Sustainment)	May 18	57.5	199.5	Variable	US Government Contract	8, 9, 11
US Government (Lot 12-14 IDIQ)	Jan 19	52.8	162.9	Variable	US Government Contract	8, 9, 11
US Government (Lot 15 Propulsion)	Dec 19	16.6	177.5	Variable	US Government Contract	8, 9, 10, 12
US Government (Lot 15 Production)	Jan 20	125.3	963.5	Firm or Fixed	US Government Contract	8, 9, 13
BAE Systems Australia Limited (F-35 AV MRO&U Services)	October 22	30.5	112.2	Firm or Fixed	Standard Defence Contract	8, 14
Notes						
1	Contribution to JSF PSFD MoU shared costs based on proportionality principle: i.e. number of aircraft foreshadowed for purchase as a percentage of entire partner fleet. Commitment via JSF PSFD MoU signature in December 2006 and again in March 2021, with price re-baselined annually to align with US Government updates. The JSF PSFD MoU Multilateral Costs are Variable Priced to reflect both shared costs and escalation. The current cost specified in US Fiscal Year 2023 PSFD MoU annex Revisions 15 and 16 includes updated estimates for: increased tooling replacement costs, Non-Recurring Engineering (NRE) costs for essential engine life and cooling capacity increases, and costs for flight test activities, not previously included; and updated estimates for F-35 JPO Project Overheads and Administration (PO&A).					

2	LRIP10 Production contract for Australia's next tranche of eight F-35A aircraft for initial long lead items. This contract is progressively modified with approved work scope and forms the basis of the Air System contract for the complete system – per Section 1.3 'Uniqueness'.
3	LRIP10 Propulsion contract for eight engines for installation on Australia's next tranche of eight F-35A aircraft. This contract is progressively modified with approved work scope and forms the basis of the propulsion contract for the complete system – per Section 1.3 'Uniqueness'. Subsequent to full funding being awarded for this contract further modifications (contract changes) have occurred. These include: (1) Long lead funding for Lot 12 (15 aircraft); (2) initial sparring for operating units, maintenance depots and the Global Spares Pool; and, (3) the migration of Autonomic Logistics Information System (ALIS) propulsion data.
4	Contract for Reprogramming Laboratory hardware and software tools.
5	LRIP8 Production and NA Sustainment contract for the provision of training devices, support equipment, non-aircraft spares and an aircrew fitting service.
6	LRIP11 Production contract for Australia's next tranche of eight F-35A aircraft. This contract includes long lead items and is progressively modified, forming the basis of the Air System contract for the complete system – per Section 1.3 'Uniqueness'. This contract has met full funding award with the increase in contract value a result of the staged procurement and provision of funding for the F-35 production line to build the aircraft.
7	Lot 12-14 Production and Propulsion are procured under separate Block Buy Contracts, Air Vehicle Production via Lockheed Martin Corporation and Propulsion via Pratt & Whitney. Both contracts encompass long lead items for the procurement of aircraft under Lot 12-14 and Economic Order Quantities for the production contract only. Both production and propulsion are also contracted under Undefined Contract Action (UCA) for Lot 12. These contracts were previously combined and reported as a single Block Buy Contract. Australia will commit to aircraft purchases on an annual basis via these two contracts, subject to annual approvals by Government.
8	The US Government PSFD MoU FY 2014-15 – 2023-24 "Price at Signature" has been updated to align with the original Section 23 Approval. Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates. This includes adjustments for indexation (where applicable). 30 June 2024 value calculations align with MPR Guidelines reflecting Life to Date Contract Spend AUD plus Outstanding Commitment/Obligation AUD (translated at relevant budget exchange rate). (Previous values were calculated using the contract price based on the Total USD Commitment Value (Section 23) converted to AUD using the Defence Finance Group in-force exchange rate.) Cost variations also include US contract de-obligations totaling \$183.0m.
9	LRIP11 Propulsion contract for eight engines for installation on Australia's tranche of eight F-35A aircraft being procured through the LRIP11 Production Lot. This contract is progressively modified with approved work scope and forms the basis of the propulsion contract for the complete system – per Section 1.3 'Uniqueness'.
10	LRIP10 and 11 NA Sustainment contracts consist of one-time tasks and infrastructure stand up activities. The contracts undergo discrete modifications for each individual good and/or service being procured which in turn dictates the 'type' of contract. The majority of each discrete procurement is acquisition related, examples being initial non-aircraft spares, site activation, depot stand-up, hardware procurement and delivery, training systems, support equipment and ALIS. A minor cost increase in FY 2023-24 was due to legacy cost overruns and payment for additional Depot Materiel Lay-in.
11	FY 2019-20 Air Vehicle Initial Spares, Lot 12 - 14 Generation III Heavy Helmet Mounted Display Systems (HMDS) and Lot 13-14 Ancillary Mission Equipment (AME) and Pilot Fit Equipment (PFE) have been placed on the Lockheed Martin Corporation IDIQ contract. The IDIQ contract allows flexibility in both quantities and delivery scheduling and allows the ordering of supplies and goods to be delayed until after requirements materialise. The IDIQ contract purchased additional AME in FY 2023-24, partially offset by de-obligations in FY 2019 Initial Spares. The JPO have stated that placing spares, AME and PFE requirements on the IDIQ contract allows for more agile procurement for F-35 Enterprise, aligning delivery schedule with aircraft deliveries.
12	Lot 15 Propulsion Contract for the procurement of nine F135 engines for installation on Australia's nine F-35A Aircraft procured through the Lot 15 Production Contract. This contract commenced with long lead funding and was later modified as an UCA to include the remaining production funding (full funding). As the total price for Australia's Lot 15 F135 Propulsion Production was known, commitment approval was sought for the full estimate 100% not-to-exceed value minus previous long lead commitments. Definitisation of the Lot 15 Propulsion contract occurred on 26 January 2023.
13	Lot 15 Production contract for long lead and Economic Order Quantity (EOQ) funding associated with the procurement of nine F-35A aircraft. The purpose of EOQ funding is to allow for the procurement of extra-long lead components that will reduce the procurement cost of the aircraft by taking advantage of economy of scale orders. Allocated funding was advanced in May 2022 to shore up continued production of Lot 15 aircraft ahead of the definitised Lot 15 Air Vehicle Production Full Funding Contract, which occurred in December 2022.
14	Sovereign Sustainment Requirement for the Maintenance, Repair, Overhaul and Upgrade facility for the F-35 JSF Air Vehicle (F-35 AV MRO&U Services). Australia was awarded the Regional Assignment to perform the F-35 AV MRO&U Services by the Department of Defense of the United States of America, represented by the F-35 JPO. On 17 December 2014 BAE Systems Australia Limited was nominated by the JPO to perform the Regional Assignment. Separately, the Commonwealth entered into a Deed with BAE Systems Australia Limited through a fee-for-service model to provide a fit for purpose facility to perform F-35 AV MRO&U services. The Deed includes Commonwealth step-in/performance substitution rights, if required, to nominate a third party to perform the services.

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
US Government (PSFD MoU)	N/A	N/A	Australia's contribution to shared costs from 2010 to 2024 based on the purchase of 100 aircraft. Includes contribution to production tooling, US overhead cost of running program, follow on development and shared sustainment activities.	1

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US Government (LRIP10 Production)	8	8	Procurement of advanced acquisition items associated with the next eight F-35A aircraft procurement.	-
US Government (LRIP10 Propulsion)	8	8	Procurement of advanced acquisition items and spares associated with propulsion systems for the next eight F-35A aircraft procurement. This contract has also been modified to include long lead items to support Lot 12 aircraft.	-
US Government (Reprogramming Laboratory)	N/A	N/A	Reprogramming laboratory hardware and software tools.	-
US Government (LRIP8 Production and NA Sustainment)	N/A	N/A	Training devices, support equipment and non-aircraft spares.	-
US Government (LRIP11 Production)	8	8	Procurement of advanced acquisition items associated with the next eight F-35A aircraft procurement.	-
US Government (FMS Cases AT-D-YAF, AT-P-AMN (Weapons))	N/A	N/A	(AT-D-YAF): Procurement of small diameter bombs and associated racks. (AT-P-AMN): Procurement of radio frequency counter measures.	-
US Government (LRIP10 NA Sustainment Contract)	N/A	N/A	Procurement of initial non-aircraft spares, site activation, depot stand-up, hardware procurement and delivery, training systems, support equipment and ALIS.	-
US Government (LRIP11 Propulsion)	8	8	Procurement of propulsion systems required for the eight F-35A aircraft being procured through the LRIP11 Production Lot.	-
US Government (Block Buy Contract Production)	N/A	45	Procurement of long lead items and economic order quantities for Lot 12-14, with full funding contract awarded in Quarter 4 2019, for procurement of 45 F-35A aircraft.	2
US Government (Block Buy Contract Propulsion)	N/A	45	Procurement of long lead items for Lot 12-14, with full funding contract awarded in Quarter 4 2019 for procurement of 45 F135 propulsion systems.	2
US Government (LRIP11 NA Sustainment)	N/A	N/A	Procurement of initial non-aircraft spares, site activation, depot stand-up, hardware procurement and delivery, training systems, support equipment and ALIS.	-
US Government (Lot 12-14 IDIQ)	N/A	N/A	Procurement of Lot 13-14 AME and PFE and HMDS Spares, Lot 12-14 HMDS, and FY 2019-20 Air Vehicle Spares.	-
US Government (Lot 15 Propulsion)	9	9	Procurement of advance acquisition items and full funding production costs for nine F135 engines associated with Lot 15 F-35A Production.	-
US Government (Lot 15 Production)	9	9	Procurement of advanced acquisition items associated with the next nine F-35A aircraft procurement.	-
BAE Systems Australia Limited (F-35 AV MRO&U Services)	N/A	N/A	Procurement of maintenance, repair, overhaul and upgrade of the F-35 JSF Air Vehicle (F-35 AV MRO&U Services).	-
Major equipment accepted and quantities to 30 Jun 24				
63 F-35A aircraft have been received by Australia.				
Notes				
1	No equipment delivered as part of this contract.			
2	These contracts were previously reported as Lot 12 long lead and EOQ.			

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) targets or an AIC Plan for its US Government acquisition due to the F-35 Program being a US Department of Defense collaborative program contracted under the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplement framework. The Project has no contracted AIC targets or an AIC plan for F35 AV MRO&U Services Deed with BAE Systems Australia Limited due to the Deed being a lease arrangement, which is outside of the specified AIC policy conditions.

Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
Preliminary Design	JSF Air System (CTOL Variant)	Mar 03	N/A	Jul 03	4	1
Critical Design	JSF Air System (CTOL Variant)	Apr 04	Feb 06	Feb 06	22	2
Notes						
1	Aircraft weight was the major issue that delayed the closure of the Preliminary Design Review (PDR) by four months.					
2	Additional design effort was required to achieve the weight savings expected after PDR. The CTOL Critical Design Review was delayed as a result from April 2004 to February 2006 until the re-design was complete and included the 'roll up' of many lower-tiered reviews.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	Block 2B Fleet Release (against Integrated Master Schedule (IMS) 7 Baseline)	Jun 15	Jun 15	Jul 15	1	1
	Block 3i Initial Release to support LRIP6 (against IMS 7 Baseline)	Mar 14	Nov 14	Sep 14	6	2
	Block 3F Fleet Release (against IMS 7 Baseline) – for F-35A (full envelope with weapons)	Aug 17	Oct 17	Aug 17	0	3, 4, 5
Acceptance	Accept and deliver two (LRIP6) aircraft to US Pilot Training Centre	Mar 14	Nov 14	Nov 14	8	6
	Accept and deliver aircraft 3-14	Dec 16	Jun 19	Jun 19	30	7
	Accept and deliver aircraft 15-72	Dec 23	Sep 23	NFP	NFP	8
Notes						
1	Block 2B supported the US Marine Corps IOC declaration which occurred on 31 July 2015.					
2	Block 3i Initial Release software provides initial pilot training capability for the LRIP6 aircraft configuration. The six month variance was due to delays in earlier software deliveries and compounded by integration into the updated computer architecture delivered in LRIP6 aircraft.					
3	F-35 aircraft software is developed and released in capability blocks. Block 3F software is the final release under the SDD phase of the program and is the requirement for Australian IOC declaration. It is noteworthy; all Block 3F software is developed to support full Australian weapons requirements, where Australia's weapons approval is dependent on US and Australian clearances.					
4	Block 3F software was fleet released August/October 2017 onto late LRIP9 US and Partner aircraft. Fleet release dates indicate software has finished development, while the release of partner nation specific loads follows with minor adjustments to meet sovereign requirements. The priority for the release of partner specific loads is driven by a nation's aircraft delivery schedules.					
5	Australia accepted its first three Block 3F aircraft March 2018. Acceptance, initially planned February 2018 as contracted Bed Down Plan, was delayed to remediate non-software related production issues. All new aircraft are to be accepted in Block 3F (or later) configuration.					
6	The March 2014 original delivery date was based on Australian IOC in December 2018. The November 2014 delivery date reflects a deferral in production to align with the US re-baselining of JSF production, and verification of a new software load for LRIP6 aircraft to assure an appropriate training capability.					
7	The final remaining 12 Stage 1 aircraft were originally scheduled for delivery by December 2016 leading to Australian IOC in 2018. In March 2010, the JSF Program experienced a Nunn-McCurdy breach of the critical cost growth statutory threshold. Based on subsequent delays to SDD completion and the US aircraft buy profile, the Australian Government initiated a two year deferral in production and IOC, with Aircraft 14 accepted in June 2019. This will achieve a revised Australian IOC by December 2020.					
8	Air Vehicle COVID-19 re-baselined deliveries were delayed by approximately six weeks due to temporarily suspended factory acceptance flight operations following the US F-35B crash in December 2022. Deliveries resumed in March 2023 and all Australian Lot 12-14 contracted aircraft have now been accepted. All nine AUS Lot 15 air vehicles have completed post-production test flights.					

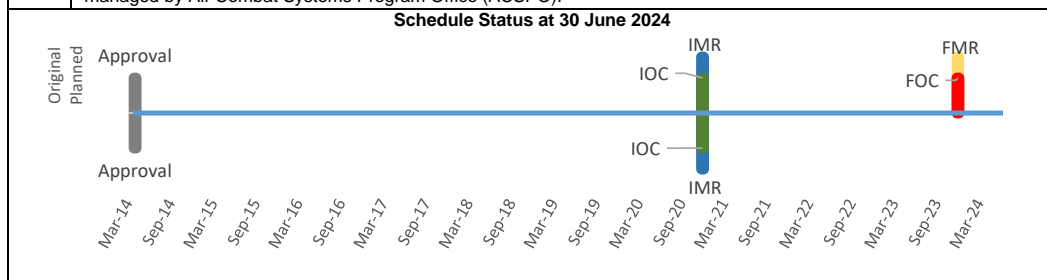
Project Data Summary Sheets

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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct – Dec 20	Dec 20	0	1
Initial Operational Capability (IOC)	Dec 20	Dec 20	0	1
Final Materiel Release (FMR)	Oct – Dec 23	NFP	NFP	1
Final Operational Capability (FOC)	Dec 23	NFP	NFP	1, 2

Notes	
1	The Capability Manager declared IOC on schedule acknowledging a number of known acceptable deficiencies with the aircraft and support systems. This is not unusual for capabilities being introduced into service. Delivery of aircraft remains largely in line with the Capability Manager's expectation, noting the expected delay to Australia's final nine Air Vehicles. Air Force is monitoring closely, including consequential impacts to FOC, and intends to advise Government of a revised FMR/FOC achievement date when a delivery schedule for the final nine aircraft is confirmed by the F-35 JPO.
2	While this milestone represents the completion of Phase 2A/2B requirements, the aircraft will continue to develop under the Continuous Capability Development and Delivery (C2D2) program through future phases of the AIR6000 program managed by Air Combat Systems Program Office (ACSP0).



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
<p>100%</p>	<p>Green: The project expects to meet the majority of capability requirements as expressed in the MAA and supporting suite of Capability Definition Documentation with delivery in accordance with requirements of the relevant Technical Regulatory Authorities.</p>
<p>0%</p>	<p>Amber: N/A</p>
<p>0%</p>	<p>Red: N/A</p>

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Acceptance and delivery of 33 aircraft to RAAF Base Williamtown between 2018 and 2020 to support Australian V&V and stand-up of No.3 Squadron (SQN) and No.2 Operational Conversion Unit; No.3 SQN facilities fully fitted, accredited, staffed and ready to support flying operations. Materiel delivery, V&V, training, support and transition activities required for IOC completed. IMR was achieved in December 2020.	Achieved
Initial Operational Capability (IOC)	The JSF system shall be capable of performing and sustaining one squadron capable of Defensive Counter Air, and Offensive Counter Air roles (though not concurrently) for a 30 day period. The JSF system shall be deployable to Forward Operating Bases within Australia and Overseas. Aircraft are available to support the start of pilot training in Australia. IOC was achieved in December 2020.	Achieved
Final Materiel Release (FMR)	Delivery of final aircraft between 2021 and 2024 resulting in all 72 F-35A aircraft in Australia. All aircraft will be upgraded in accordance with the C2D2 plan (noting that this is an ongoing program of capability enhancement). Delivery and acceptance, commissioning or contracting in Australia of the aircraft, spares, support systems, and personnel, training, weapons, equipment, contracts and facilities necessary for ongoing operations of three Operational Squadrons and one Training Squadron at FOC. Materiel delivery, V&V, training, support and transition activities required for FOC completion. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	The JSF system shall be capable of performing and sustaining three operational squadrons and one training squadron, as per strategic and capability guidance. Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	The F-35A capability may be impacted by multiple identified medium and below funding and/or programming challenges arising from forecasting inaccuracies, production cost increases, development of the common reprogramming laboratory and global inflation induced workforce and supply chain effects.	<p>AIR6000 Phase 2A/2B maintains a systematic risk management framework to ensure that the remaining medium and below risks to delivering a credible air combat capability are identified, and resources are allocated to mitigate these risks. The inclusion of Cooperative Project Personnel positions within the F-35 JPO gives Australia early and informed insight into emergent potential issues. Active and coordinated engagement with the JPO executive through established PSFD governance fora enables Australia to influence organisational outcomes.</p> <p>The AIR6000 Phase 2A/2B Project Office will continue to ensure overall affordability through the proactive management of various cost risks and opportunities, supported by the JPO's efforts to improve cost forecast data.</p> <p>The Capability Manager is a key informed stakeholder in this process to actively prioritise requirements to deliver capability within the approved project budget and ensure the systems being delivered will meet Air Force's evolving capability needs.</p>

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5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Expected delays to acceptance of Australia's final nine Air Vehicles.	Air Force and AIR6000 Phase 2A/2B Project Office executives remain engaged with embedded Australian staff and continue to discuss the issue at relevant fora to ensure that the production schedule meets Australian FMR requirements. AIR6000 Phase 2A/2B Project staff continue to engage at working level forums to maintain visibility of any schedule movements.
2	PSFD MoU obligation for FY 2024-25 is unfunded.	Funding for the PSFD MoU obligation in FY 2024-25 was identified and allocated during Financial Estimates activities in April to June 2023. A Medium rating was applied pending approval of the project's FY 2023-24 Additional Estimate Budget and the issue was retired in April 2024.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 69 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. JSF PSFD MoU is run by the JPO and it is difficult to predict cost, schedule and associated budgeting impact on Australian Defence Force processes and procurement.	Program, Project & Product Management
DLR Lesson Type – Observation. Allowing industry to come up with innovative solutions, without the Commonwealth being too prescriptive in requirements definition, can provide improved outcomes. Through the Turbine Engine Maintenance Facility negotiations a maintenance organisation proposed the renovation of a disused Masters Hardware facility, rather than building a new facility on a green-field site. This resulted in significant schedule reduction.	Commercial Management
DLR Lesson Type – Observation. The ongoing sustainment costs of information and communications technology intensive projects is expensive - hardware refresh, software licensing, upgrades, personnel (administrators) - and cannot be underestimated.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Aerospace Systems Division
Branch	Aerospace Combat Systems Branch

Project Data Summary Sheet¹

Project Number	AIR7000 Phase 1B
Project Name	MQ-4C TRITON REMOTELY PILOATED AIRCRAFT SYSTEM
First Year Reported in the MPR	2019-20
Capability Type	New
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Jul 06
Government 2nd Pass Approval	Jun 18 (Tranche 1) Mar 19 (Tranche 2) May 20 (Tranche 3) Nov 20 (Tranche 4)
Budget at 2nd Pass Approval	\$2,071.4m
Total Approved Budget (Current)	\$2,447.7m
2023–24 Budget	\$321.1m
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

1.1 Project Description
AIR7000 Phase 1B will acquire up to six MQ-4C Triton aircraft and support systems through a Cooperative Program with the United States Navy (USN). The MQ-4C Triton is a High Altitude Long Endurance (HALE) Remotely Piloted Aircraft System (RPAS) that will complement the P-8A Poseidon to deliver the Maritime Patrol and Response capability. Government approval for the acquisition of four MQ-4C Triton Air Vehicles (AV) and associated support systems was provided through a series of tranche approvals from 2018 through 2023. Acquisition of further two aircrafts and associated support is subject to future Government approvals.

1.2 Current Status

1.2 Current Status
<p>Cost Performance</p> <p><u>In-year</u> As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$259.0m against the FY 2023-24 budget of \$321.1m. The End of Year underspend is primarily due to delays in recognition of expenditure information related to the Cooperative Program deliveries for the USN for Aircraft 01-03, Production Engineering (US), Initial Support and Future Logistics Procurement related expenditure.</p> <p>The project has recognised Work Performed Not Invoiced as per the approved accrual strategy for monthly accruals, against AV 01-04, through the Co-operative program with the USN.</p> <p><u>Project Financial Assurance Statement</u> As at 30 June 2024, AIR7000 Phase 1B has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this 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.</p> <p><u>Contingency Statement</u> The project has not applied contingency in the FY 2023-24.</p> <p>Schedule Performance</p> <p>In February 2020 the US Federal Defense budget proposed a pause in production funding for the USN MQ-4C Triton project for two years (US Fiscal Years 2021 and 2022). US Congressional approved budget reduced the impact of the proposed budget cuts, however uncertainty in the US Program initiated a delay in the decision to proceed with the facilities program for AIR7000 Phase 1B. Production funding has now been lifted and USN has confirmed its funding commitment to Triton program.</p> <p>To balance the developmental technology risk, emerging capabilities and the needs of the joint force, the Government approved an incremental approach to acquisition, which has extended the timeline for Final Operational Capability (FOC).</p> <p>The first three AV are expected to be delivered by the planned Initial Operational Capability (IOC) date (only two AV are required to be delivered for IOC). An additional fourth aircraft was approved by the Government in April 2023. Defence is currently on track to achieve IOC.</p> <p>The flow-on effect of a one-year delay was detailed in the May 2020 Cabinet Submission and accepted by Government. Post resumption of the production funding by the US, Public Works Committee (PWC) Approval was received for the construction of the Triton Facilities in November 2022.</p>

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

Materiel Capability/Scope Delivery Performance

The project is expected to achieve the current approved capability scope of four AV and systems. Achievement of the full capability of six AV is subject future Government decisions.

The USNs delivery of Integrated Functional Capability (IFC-4.0) has been split into two increments. The capabilities included in IFC-4.0 Increment 1 are all required to meet Australia's IOC and will be included in the baseline configuration for Australia's first three aircraft. It is expected that IOC will be achieved with the delivery of Increment 1. Increment 2 will deliver new and upgraded capabilities to the MQ-4C Triton Intelligence (MULTI-INT) platform. Elements of the funded developmental capabilities are not expected to be progressed into the platform due to prioritising other capabilities. Further refinement of the requirements have commenced to ensure the intent of Sense and Avoid (SAA) could still be met.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context**Background**

The AIR7000 Program replaces the Maritime Patrol and Response capability with a complementary mix of crewed P-8A Poseidon (AIR7000 Phase 2B) maritime patrol aircraft and the MQ-4C Triton RPAS (AIR7000 Phase 1B), designed to operate as a 'family of systems'.

In July 2006, the Government agreed to participate with the USN under a Project Agreement to develop the Broad Area Maritime Surveillance (BAMS) capability. In 2008, the Northrop Grumman Global Hawk variant (now designated the MQ-4C Triton) was selected by the USN as the winning tender for the BAMS program. In February 2009, the Government deferred AIR7000 Phase 1B due to delays in the USN BAMS program but continued to monitor Triton performance in the USN program.

In February 2014 Government agreed that Defence continue development of a single capability option for AIR7000 Phase 1B for up to seven MQ-4C Triton. The approved acquisition strategy for the MQ-4C Triton was procurement via Foreign Military Sales (FMS). However, the 2014 submission to Government advised of Defence's intent to investigate the value proposition of entering into a Cooperative Program with the USN.

In June 2018, Government provided Second Pass (Tranche 1) approval to procure the first of six AV, supporting systems and spares, and approval to enter a Triton Development, Production and Sustainment (DPS) Cooperative Program. Second Pass approval (Tranche 2) for the second AV was provided in March 2019.

The project was declared a Project of Interest (POI) in March 2020, due to the USN announcing a two-year production funding pause, in February 2020, for its Triton program (United States (US) Fiscal Years 2021 and 2022). The project was removed from the POI list in August 2022.

During 2020, Government approved a third AV (Tranche 3) and interim support services for the initial seven years of operations (Tranche 4).

In October 2022, the project updated the Materiel Acquisition Agreement (MAA) to align FOC dates with those approved by Government in 2020.

In November 2021, the US Federal Budget reinstated production and development funding for the US Navy MQ-4C Triton project which has restored confidence and reduced risk associated with the acquisition strategy.

In April 2023, the Government approved a fourth AV.

In August 2023, the Interim Sustainment Support Contract (ISSC), with Northrop Grumman Australia (NGA) was signed, with the ISSC phase-in commencing in September 2023.

In April 2024, the project updated the MAA to include the fourth AV, and supporting systems, following Government approval.

Uniqueness

The MQ-4C Triton is the largest RPAS to be operated by the Royal Australian Air Force (RAAF). It is a HALE-RPAS optimised for use in the maritime environment, and provides far greater on-station endurance at greater ranges when compared to conventionally piloted aircraft.

The MQ-4C Triton is a developmental platform and the IFC-4.0 configuration is still undergoing flight test activities for the USN. Full engineering and technical documentation for the IFC-4.0 configuration are becoming available and is expected to be delivered throughout 2024 for Increment 1. The Australian engineering, verification and validation and acceptance planning will remain in development while the USN completes their developmental activities.

Acquiring Triton through a Cooperative Program enables Defence to gain insights and influence on design and development that reduces risks associated with transition into service and promotes interoperability with our major security partner. The RAAF MQ-4C Triton will be identical to the USN MQ-4C Triton, except for minor configuration differences due to national requirements (such as different aircraft marking schemes). Other support elements, such as training devices and spares, will also remain as common as technically possible.

The MQ-4C Triton is categorised as a Specific Type A Un-crewed Aircraft System (UAS) under the Defence Aviation Safety Regulations (DASR). Specific Type A UAS must comply with the DASR initial and continuing airworthiness regulations to an extent that is proportionate to the complexity of the operating environment and the robustness of the UAS design. Safety of design for an Australian Defence Force (ADF) UAS Operating Permit (UASOP) is based on risk characterisation and control.

Australian airspace is regulated and managed differently to the US. The MQ-4C Triton requires a unique and deliberate program of integration into Australian airspace and the surrounding international airspace zones.

Major Risks and Issues

The project is currently managing the following major risks:

- Single Information Environment (SIE) Integration.
- Immature Data to adequately quantify Sustainment costs.

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The project is currently managing the following emergent major risks:

- Support System Readiness.
- Limited Test and Evaluation Data to inform IOC.
- Information and Communication Technology (ICT) Assessment and Authorisation.
- Spares Availability.

The project is not currently managing issues.

Other Current Related Projects/Phases

AIR7000 Phase 2 – Maritime Patrol and Response Aircraft System. The acquisition of 14 P-8A Poseidon and through Life Support system. Triton and Poseidon will form part of a 'Family of Systems' to replace the AP-3C Orion Capability.

JP2289 – Joint Information Environment.

Note

Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Jul 06	Original Approval (Government First Pass Approval)	3.9	1
Feb 14	Government Intermediate Consideration	18.4	2
Mar 16	Government Interim Consideration	1.5	3
Jun 18	Government Second Pass Approval – Tranche 1	901.1	4
Jun 18	Real Variation – Transfer	1.0	5
Apr 19	Real Variation – Transfer	0.7	5
Jul 19	Government Second Pass Approval – Tranche 2	320.8	6
Jun 20	Government Second Pass Approval – Tranche 3	626.1	6
Mar 21	Government Second Pass Approval – Tranche 4	197.8	7
Total at Second Pass Approval		2,071.4	
May 09	Price Indexation	0.2	8
Aug 09	Real Variation – Real Cost Decrease	(1.3)	9
Jun 20	Real Variation – Real Cost Decrease	(2.2)	10
Feb 22	Real Variation – Budgetary Adjustment	17.7	11
Apr 23	Subsequent Government Approval – Additional AV	270.1	12
Oct 23	Real Variation – Transfer	(3.9)	13
		280.6	
Sep 23	Exchange Variation	95.7	14
Jun 24	Total Budget	2,447.7	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – US Government (Triton Prime Contracts)	(330.7)	
	Contract Expenditure – US Government (DPS Memorandum of Understanding (MoU))	(211.3)	
	Contract Expenditure – US Government (Project Arrangement 1 (PA-1) Sense and Avoid Capability)	(63.5)	
	Contract Expenditure – US Government (AV 4)	(60.1)	
	Contract Expenditure – US Government (USN Production Engineering and Logistics Support)	(46.2)	
	Contract Expenditure – US Government (Diminishing Manufacturing Source (DMS) Items)	(29.7)	
	Other Contract Payments / Internal Expenses	(184.7)	15
		(926.1)	
FY to Jun 24	Contract Expenditure – US Government (Triton Prime Contracts)	(87.6)	
	Contract Expenditure – US Government (AV 4)	(51.6)	
	Contract Expenditure – US Government	(18.1)	

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

	(USN Production Engineering and Logistics Support)		
	Contract Expenditure – Northrop Grumman Australia (ISSC)	(14.8)	
	Contract Expenditure – US Government (Diminishing Manufacturing Source (DMS) Items)	(1.4)	
	Other Contract Payments / Internal Expenses	(85.6)	16
Jun 24	Total Expenditure		(259.0)
			(1,185.2)
Jun 24	Remaining Budget		(1,262.6)

Notes	
1	Government First Pass Approval to initiate the project and enter a Project Agreement with USN for development of a BAMS capability.
2	Government Intermediate Pass Approval, to continue development of a single capability option for AIR7000 Phase 1B and establishment of a FMS Technical Services Case.
3	Government Interim Pass, to continue project development of submission, including negotiation of a Cooperative Program MoU, for Second Pass approval.
4	Government Second Pass Approval Tranche 1 Funding. Tranche 1 approval to fund one x AV, three x Main Operating Base (MOB) Mission Control Systems (MCS), two x forward Operating Base (FOB) MCS and associated support systems and spares.
5	Funding transfers from Defence Science and Technology Group to Capability Acquisition and Sustainment Group (CASG).
6	Government Second Pass Approval Tranche 2 and 3 to fund a total of two additional AV and associated support systems.
7	Tranche 4 approved initial sustainment funding for the first seven years.
8	Until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$0.2m, applied only to the portion of the budget approved at Government First Pass Approval.
9	Government decision to defer the project, excess funds returned to Government after the completion of First Pass approved scope.
10	Force Structure Plan amendment in June 2020.
11	Air Force Headquarters (AFHQ) budgetary adjustment made to allow for greater flexibility for reprogramming and reduce pressure on the Air Force operating budget.
12	Government approval for an additional AV, increasing project approved budget.
13	Transfer to Security and Estate Group for Tindal Facilities Construction.
14	Movements in the budget resulting from 2023-24 Mid-Year Economic and Fiscal Outlook updates to the applied foreign exchange rate.
15	Other contract payments/internal expenses to support the Triton capability before July 2023 Comprised of; Project management expenses (\$74.2m), Government Furnished Equipment (GFE) (\$53.6m), Initial Support (\$19.4m), Mission Systems Trainer (MST) (\$13.1m), Initial spares (\$7.6m), Chief Information Officer Group (CIOG) (\$7.1m), US provided training (\$3.8m), Australian Minotaur Integration Capability (AMIC) (\$3.0m), FOB trailerisation (\$1.5m) and AFHQ expenses (\$1.3m).
16	Other contract payments/internal expenses to before July 2024 Comprised of; Initial Spares (\$29.1m), Project management (\$27.0m), GFE (\$10.6m), MST (\$5.2m), AFHQ expenses (\$3.6m), FOB trailerisation (\$3.2m), Repair Of Repairable Spares (\$2.3m), Initial Support (\$2.1m), US provided training (\$1.7m), and AMIC (\$0.8m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
315.2	329.0	321.1	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : The variation was a result of a budget transfer for facilities, increases to the budget for the fourth air vehicle, and budget baseline changes. Further variation can be attributed to foreign exchange updates. <u>PAES to Final Plan</u> : Variation can be attributed to foreign exchange updates and budget baseline changes.
Variance \$m	13.8	(7.9)	Total Variance (\$m): 5.9
Variance %	4.4	(2.4)	Total Variance (%): 1.9

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(5.2)	Australian Industry	The End of Year underspend is primarily due to delays in recognition of expenditure information related to the Cooperative Program deliveries for the US Navy for AV 01-03, Production Engineering (US), Initial Support and Future Logistics Procurement related
		-	Foreign Industry	
		-	Early Processes	
		(0.4)	Defence Processes	
		(56.5)	Foreign Government Negotiations/Payments	
		-	Cost Saving	

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		-	Effort in Support of Operations	expenditure. The project has recognised Work Performed Not Invoiced as per the approved accrual strategy for monthly accruals, against AV 01-04, through the Co-operative program with the US Navy.
		-	Additional Government Approvals	
321.1	259.0	(62.1)	Total Variance	
		(19.3)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
US Government (DPS MOU)	Jun 18	200.0	229.3	Cost Ceiling (Capped)	MoU	1
US Government (DMS Items)	Nov 18	0.5	35.0	Variable	MoU	2, 3
US Government (Triton Prime Contracts)	May 19	37.5	570.3	Variable	MoU	3, 4
US Government (USN Production Engineering and Logistics Support)	May 19	0.7	180.5	Variable	MoU	3, 5
US Government (PA-1 Sense and Avoid Capability)	May 19	61.3	67.3	Cost Ceiling (Capped)	MoU	1, 6
US Government (Air Vehicle 4)	Oct 23	200.5	205.6	Variable	MoU	7
Northrop Grumman Australia (ISSC)	Aug 23	214.5	216.9	Cost Ceiling (Capped)	Contract	-
Notes						
1	DPS MoU and PA-1 funding is limited to a cost ceiling, which can only be changed upon mutual written consent of the Participants. Australia is responsible for paying a proportion of the total costs based on the relative number of Australian aircraft in the overall fleet.					
2	DMS Items is a US Government managed program to address availability and obsolescence of components. Additional Australian aircraft and the developmental nature of the program required an uplift to the initial funded amount.					
3	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current budget exchange rates. This includes adjustments for indexation (where applicable). The incremental funding of these activities will see a progressive increase to the price.					
4	In May 2020 the scope of the contract was expanded to include three x AV, one x MOB MCS and one x FOB MCS.					
5	Production Engineering and Logistics Support requests are made on an annual basis. The value of this contract will increase annually.					
6	PA-1 SAA capability has fully expended all funding to the US Government.					
7	Procurement of a fourth MQ-4C Triton AV under the MQ-4C Triton Cooperative Program with the US Government.					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
US Government (DPS MOU)	N/A	N/A	Australia's contribution to shared costs from FY 2017-18 to FY 2027-28 includes contribution to DPS for common efforts, and project overhead and administration costs.	1
US Government (DMS Items)	Various	Various	DMS is managed through monitor and risk mitigation efforts, life-of-type procurements, design changes to substitute new parts and other treatments. Signature allowed DMS treatments to be applied for Australian supplies within the US DMS program.	2
US Government (Triton Prime Contracts)	Various	Various	For Low Rate Initial Production five aircraft and ground system long-lead components. Australian elements of the awarded contract include three x AV, two x MOB MCS and one x FOB MCS.	-
US Government (USN Production Engineering and Logistics Support)	N/A	N/A	USN labour and services including, but not limited to; Non Recurring Engineering efforts in support of aircraft and system production, logistics modelling and forecasting.	-
US Government (PA-1 Sense and Avoid Capability)	N/A	N/A	Australia's contribution to shared costs from FY 2018-19 to FY 2023-24 for the development of the SAA capability (including weather radar) to enable greater access to airspace and environmental conditions.	-

US Government (Air Vehicle 4)	Various	Various	For Low Rate Initial Production Six aircraft. Australian elements of the awarded contract includes one AV (the fourth air vehicle).	-
Northrop Grumman Australia (ISSC)	N/A	N/A	Northrop Grumman Australia have been engaged by the Commonwealth to provide engineering, maintenance and supply services for the MQ-4C Triton Weapon System, under the ISSC. The Northrop Grumman Australia support is being provided with close collaboration of the USN to ensure that maximum benefit to Australia can be gained through our ongoing involvement in the MQ-4C Cooperative Program.	3
Major equipment accepted and quantities to 30 Jun 24				
Nil				
Notes				
1	No equipment delivered as part of this MoU and Project Arrangement.			
2	DMS supplies and non-recurring engineering will be incorporated into production aircraft and systems before delivery.			
3	Initial term expires 30 June 2027 with a renewal term of up to two, one-year periods.			

2.4 Australian Industry Capability

Summary	
The project has no contracted Australian Industry Capability (AIC) targets or an AIC Plan, for its US Government Cooperative acquisition Program, as the US Cooperative Program arrangement does not include the contractual provision or obligations for Australian Industry Content.	
Northrop Grumman Australia has an AIC Plan, which aims to maximise Australian Industry involvement whereby Northrop Grumman Corporation engineering, maintenance, and operation subject matter experts will establish operations and transfer their specialist Original Equipment Manufacturer knowledge and expertise to Northrop Grumman Australia personnel.	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	Triton MULTI-INT System Requirements Review 2	N/A	N/A	Dec 15	N/A	1
Preliminary Design	Triton MULTI-INT Preliminary Design Review	N/A	N/A	Dec 16	N/A	1
Critical Design	Triton MULTI-INT Critical Design Review	N/A	N/A	Nov 17	N/A	1
Notes						
1	These milestones were achieved by the USN as part of the developmental program schedule prior to AIR7000 Phase 1B Second Pass approval and Australia joining the Cooperative Program.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	IFC-4.0 Initial Operational Test & Evaluation	N/A	N/A	N/A	N/A	1, 4
	IFC-4.0 Increment 1 Operational Assessment to Support IOC	Jun 23	N/A	Jul 24	13	2, 4
	IFC-4.0 Increment 2 Operational Assessment Post IOC	NFP	N/A	NFP	NFP	3, 4
Acceptance	Delivery to Australia of initial Mission Control System	Oct – Dec 21	N/A	Feb 24	28	5
	Commencement of crew training with the USN	Jul – Sep 22	N/A	Dec 22	5	6
	Issue of Airworthiness Instrument (JASOP)	Mar – May 23	N/A	Sep 24	18	7
	Delivery of sixth and final MQ-4C AV [Subject to Government Approval of AV 5-6 and sequencing with USN]	To Be Announced (TBA)	TBA	TBA	N/A	8

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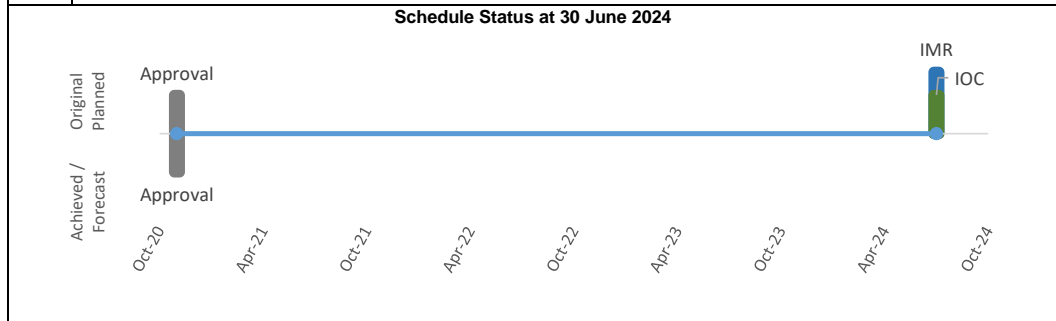
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Notes	
1	This was a USN and Northrop Grumman Systems Engineering milestone, originally forecast for August 2021, for the IFC-4.0, the baseline configuration for the ADF. IFC-4.0 has now been split into two increments per the revised USN delivery schedule.
2	As a result of the Incremental approach to the delivery of IFC-4.0, the forecast date for achievement of the Operational Assessment has changed to account for the revised capability delivery. The most recent advice from the USN is a forecast of July 2024.
3	While Increment Two funding has been approved by the US Government, a Senate mark reduced development funding in FY 2023/24. Increment 2 will deliver upgraded capabilities along with a SAA functionality to meet the requirements of PA-1.
4	Due to the development nature of this capability, System Integration milestones are being further refined and are expected to be amended.
5	Production funding pause announcement delayed the original schedule preventing PWC referral in March 2020. Facilities works was paused until Government approval in November 2022. The change in basing for aircraft from Edinburgh to Tindal resulted in a redesign which has also contributed to the amendment of dates.
6	Training needs analysis in consultation with the US revealed a change to the training requirements and hence the schedule amendment.
7	At Government Second Pass Approval (Tranche 3) In Service Date (ISD) was amended by 12 months (and consequently IMR and IOC by 24 months against the Original Planned) due to the impacts of the USN production funding pause announcement in February 2020, resulting in pause of facilities progression. This had a flow-on effect on Project schedule. As the Operating Permit was required to support activities from first flight to IOC, the date required for the Operating Permit was amended, leading to the identified variance.
8	Maritime Patrol and Response submissions are subject to tranching Government approval. Following each tranche of Government approval, project milestone definitions and the project schedule will be re-baselined through an MAA update.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
In Service Date (ISD)	Jul 23	NFP	NFP	NFP
Initial Materiel Release (IMR)	May - Jul 24	NFP	NFP	NFP
Initial Operational Capability (IOC)	Jul 24	NFP	NFP	NFP
Final Materiel Release (FMR)	NFP	NFP	NFP	NFP
Final Operational Capability (FOC)	NFP	NFP	NFP	NFP




Notes	
1	NFP



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
 <p>99%</p>	<p>Green: The project expects to meet the current capability requirements as expressed in the MAA, noting that the full capability is yet to be approved by Government.</p>
 <p>1%</p>	<p>Amber: Elements of the funded developmental capabilities are not expected to be progressed into the platform due to prioritising other capabilities.</p>
 <p>0%</p>	<p>Red: N/A</p>
Note	
<p>This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
In Service Date (ISD)	<ul style="list-style-type: none"> 1 x Main Operating Base Mission Control Systems (MOB MCS) Secondary MST installed and ready for use at Edinburgh. 1 x Trailer Forward Operating Base MCS installed and ready for limited use at Tindal. 1 x Mission Avionics System Trainer installed and ready for use at Edinburgh. 1 x MOB MCS Primary installed and ready for limited use at Edinburgh. 1 x MQ-4C Triton AV delivered to Tindal. Establishment of ISSC arrangements. 4 x US trained crews (to include Operational Test & Evaluation (OT&E) requirements) initial focus will be on Test & Evaluation (T&E) and tactics development. Sufficient Network Technicians to meet the planned rate of effort. Operational and Technical Publications. Initial logistics support systems and support arrangements in place. Sufficient spares, Ground Support Equipment and Support and Test Equipment to support the Rate of Effort. Facilities as required to enable commencement of flying operations. <p>Forecast dates for ISD are NFP.</p>	Not yet Achieved
Initial Materiel Release (IMR)	<p>In addition to ISD deliveries:</p> <ul style="list-style-type: none"> 2 x MQ-4C Triton AV delivered to Tindal. 3 x US trained crews (to include 292 Squadron (SQN) Instructor requirement). 1 x MOB MCS Secondary MST installed and ready for limited use at Edinburgh. 1 x MOB MCS Primary installed and ready for limited use at Edinburgh. 1 x Remote Quick Look (RQL) installed and ready for limited use at the interim Tindal facility (2 SQN Hangar) (RQL#1) 1 x RQL installed and ready for limited use at Edinburgh Triton Control Centre (RQL#2). 1 x RQL delivered to Tindal for storage (RQL#3). <p>Forecast dates for IMR are NFP.</p>	Not yet Achieved

Initial Operational Capability (IOC)	<p>In addition to IMR deliveries:</p> <ul style="list-style-type: none"> Establishing Wing, SQN Headquarters and sustainment management organisation including associated administrative and support staff. 1 x line crew trained in Australia. Initial Training and Standardisation staff. Completion of T&E for Task 3 (Maritime Surveillance), issues identified and changes implemented or an agreed way forward. Achievement of sufficient airworthiness requirements to support the scope of intended operations up to FOC. Accredited operating facilities sufficient to support squadron activities and operation of one orbit. <p>Forecast dates for IOC are NFP.</p>	Not yet Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> All MQ-4C Triton aircraft delivered to Tindal. All MOB and FOB MCS installed and ready for use. All MST installed at Edinburgh and ready for individual and collective training. All 10 crews trained. All Triton sensors fully operational with back-end access to all databases and systems required for pre-flight, in mission or post flight operations available for use. This includes access to foreign databases and systems that are required for wider Intel dissemination for in flight or post flight additional capability. Full Distributed Operator functionality enabled and ready for use. Through life support arrangements are in place. <p>Forecast dates for FMR are NFP.</p>	Not yet Achieved
Final Operational Capability (FOC)	<p>In addition to FMR deliveries:</p> <ul style="list-style-type: none"> Training and Standardisation crews. All synthetic training devices for personnel training are operational, certified, and transitional training complete. Completion of T&E for all roles, issues identified and changes implemented or an agreed way forward. Establishment of all sustainment support arrangements to support the scope of intended operations. Achievement of all airworthiness requirements to support the scope of intended operations. Accredited permanent main operating base facilities at Edinburgh. Accredited forward operating base facilities at Tindal. <p>Forecast dates for FOC are NFP.</p>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Single Information Environment (SIE) Integration. There is a risk that the current network infrastructure, combined with the level of development required to integrate the Triton system into the Defence SIE, will require design and certification effort that may not be achievable by the capability milestone dates.	<p>Defence Digital Group - Military Platform Integration (DDG-MPI) has developed a phased approach to SIE integration in line with capability milestones. This includes reliance on, and support of, other network infrastructure projects.</p> <p>The project and DDG-MPI continue to leverage the USN Cooperative Program to source required technical data, subject matter expert advice and lessons learned from the USN network integration experience.</p> <p>Control and responsibility of the delivery of SIE allocated to DDG-MPI allowing effective control of the relevant deliverables.</p>
2	Immature data to adequately quantify interim Sustainment Costs. There is a risk that the planned sustainment budget may be affected by insufficient data maturity leading to an impact on achieving Air Force support requirements and overall program affordability.	The project continues to work closely with the USN, Northrop Grumman Corporation and the Surveillance and Response System Program Office to identify sustainment cost drivers, investigate opportunities for sustainment efficiencies, validate logistics modelling assumptions, and implement lessons learned from other USN-sourced systems. Sustainment data will continue to mature as the

		<p>USN Triton operational tempo increases. The project, together with Northrop Grumman Australia, developed an affordable 'ISSC' for Australian-based support.</p> <p>This risk has been re-scoped to cover the Interim Sustainment Period only which is the responsibility for the Acquisition Project.</p> <p>The risk has been downgraded to a Medium risk.</p>
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5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Support System Readiness. There is a risk that the Support System will not be ready to support Air Force operating requirements post Air worthiness Board, leading to an impact on Capability Outcomes and Schedule.	This risk emerged through Workshops and increased understanding of the Support System requirements and potential shortfalls to support requirements under MAA milestones. The Project is working closely with industry and USN to reduce this risk.
2	Limited Test and Evaluation Data to inform IOC. There is a risk that the ability to declare IOC will be affected by limited T&E data leading to an impact on capability outcomes schedule and reputation.	This risk emerged through Workshops and increased understanding of the OT&E requirements and potential shortfalls in availability of T&E data to support requirements under MAA milestones. The T&E strategy has a dependency on outcomes from USN OT&E testing and the Project is liaising closely with USN to gain access to that data. The team is working closely with Defence stakeholders on the planning of the T&E conduct. Potential opportunities to incorporate AU specific test serials into the USN test program to obtain efficiencies are being explored.
3	ICT Assessment and Authorisation. There is a risk that the Triton capability will not meet the necessary ICT Assessment & Authorisation requirements, leading to an impact on Schedule and Capability Outcomes.	The project has developed a phased approach to reduce this risk. Key challenges evolve around the engagement with various government agencies to ensure that the necessary authorisations are obtained to utilise critical ICT infrastructure to enable use of the Triton capability.
4	Spares Availability. There is a risk that the spares available at the retail and wholesale levels at ISD for AV configured in IFC-4.0 will be inadequate to support Initial OT&E and sustainment leading to an impact on Capability Outcomes and Schedule.	This risk has been upgraded since the last Major Projects Report MPR due to increased understanding of the spares situation. Triton operations could be affected by the availability of spares. The Project is liaising closely with USN to reduce this risk.

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured three lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. Inclusion of resourced schedules for external organisations. Accurate resourced schedules of external organisations that are responsible for program deliverables should be integrated into the project Integrated Master Schedule (IMS) in sufficient detail to track progress against each deliverable. This should be incorporated into the IMS at the early stages of the project and managed throughout the duration of the project.	Program, Project & Product Management
DLR Lesson Type – Observation. Developmental programs. The resourcing and engagement required to support developmental programs with partner nations is significantly higher than traditional acquisition programs that procure mature platforms. Additionally, regular engagement is required to ensure all stakeholders are aligned on the status of the program.	Program, Project & Product Management

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DLR Lesson Type – Observation. External agency engagement. When establishing a complex project that has interfaces with external agencies who provide a Fundamental Inputs to Capability (FIC), the project should ensure that clear deliverables and lines of communication for each FIC organisation is established. To enable an adequate level of oversight, a dedicated FIC coordination role should be considered for future complex development projects.	Program, Project & Product Management
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Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Aerospace Systems
Branch	Aerospace Surveillance and Response

Project Data Summary Sheet¹

Project Number	JNT2072 Phase 2B
Project Name	BATTLESPACE COMMUNICATIONS SYSTEMS
First Year Reported in the MPR	2017-18
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	May 11
Government 2nd Pass Approval	Stage 1 - May 15
Budget at 2nd Pass Approval	\$915.7m
Total Approved Budget (Current)	\$948.6m
2023-24 Budget	\$39.5m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

JNT2072 was a multi-phased program to define the Battlespace Communication Systems - Land (BCS-L) Communications Architecture, govern the design, incremental implementation and verification of system elements across a number of projects as well as acquire systems and equipment.

JNT2072 Phase 2B² has provided the BCS-L deployed wide-band backbone by replacing and enhancing the existing Battlefield Telecommunications Network (BTN) capability within Army and Air Force. The Integrated Battlespace Communications System Network (I-BTN) provides secure communications within deployed Australian Defence Force (ADF) Headquarters, commanders and their subordinate staff, to effectively exchange voice, data and video.

This capability is further enhanced with the provision of a Headquarters On The Move (HQOTM) capability. JNT2072 Phase 2B has delivered the I-BTN in three capability releases, with Release 1 providing transit case nodes and Release 2 and Release 3 providing Vehicle Mounted Nodes (VMN) and additional capabilities. The end state I-BTN provides greater capacity than the previous BTN; including more effective switching, wireless and wired network infrastructure supporting secure voice, data and video services. The I-BTN contractor was Boeing Defence Australia Ltd. Boeing Defence Australia Ltd is the in-service support contractor for the I-BTN. The I-BTN provides end-to-end connectivity from the Mission Partner Environment, through and within the I-BTN, and to the Defence Terrestrial Communications Network (DTCN) (provided by JNT2047 Phase 3).

JNT2072 Phase 2B has provided supplementary funding to Joint Command, Control, Communications, Computers and Intelligence Systems Program Office (JC4ISPO) for the procurement of 259 Deployable Local Area Network (DLAN) systems for integration with I-BTN. This hardware was provided to LAND 4125. Further, JNT2072 Phase 2B was scoped to acquire a Terrestrial Range Extension System (TRES) consisting of both ground based and tethered components to extend the range of tactical radios procured under earlier phases of JNT2072. The project scope for ground based TRES will be delivered via an acquisition activity to procure a system known as the Mobile Retransmission System (MRS). This acquisition is being conducted by Land Communications and Specialist Systems SPO using project funds. The Tethered TRES project scope did not proceed following the conduct of risk reduction activities. JNT2072 Phase 2B achieved Final Materiel Release (FMR), with caveats, on 2 February 2024. Final Operational Capability (FOC) was declared 28 March 2024. Materiel Acquisition Agreement (MAA) Closure and Project Closure are planned to be complete by October 2024.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$39.1m, against the FY 2023-24 budget of \$39.5m. The variance is due to a number of factors, including; lower contractor costs than planned. Delay in provision of the Government Furnished Material (GFM) to Boeing Defence Australia Ltd for the production of HQOTM vehicles 17 and 18; these vehicles are now planned to be delivered in the second half of 2024 (via Land Communications and Specialist Systems SPO), and delay in the scope of work for enhancement of the I-BTN interfaces to the Defence Strategic Communications Network.

Project Financial Assurance Statement

As at 30 June 2024, JNT2072 Phase 2B has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial 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.

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

2. JNT Phase 2B was originally approved as a JOINT PROJECT (JNT) within the broader JNT2072 program, but since second pass it has been managed and reported as a LAND project. The remainder of this report will refer to JNT2072 Phase 2B.

<p>Contingency Statement The project has not applied contingency in the FY 2023-24.</p>
<p>Schedule Performance In FY 2023-24 Boeing Defence Australia Ltd achieved the I-BTN Contract (Acquisition) milestones of FMR on 27 July 2023 and Final Acceptance (FA) on 3 August 2023. The I-BTN Contract (Acquisition) closed upon the achievement of FA. JNT2072 Phase 2B achieved FMR, with caveats, on 2 February 2024. Final Operational Capability (FOC) was declared 28 March 2024. The project scope for ground based TRES will be delivered via a separate Land Communications and Specialist Systems SPO acquisition project. The Tethered TRES project scope did not proceed following the conduct of risk reduction activities.</p>
<p>Material Capability/Scope Delivery Performance Initial Materiel Release (IMR), as defined in the contract, was achieved by Boeing Defence Australia Ltd in December 2017, allowing the Capability Manager to declare IMR in February 2018. Achievement of Initial Operational Capability (IOC) was declared in March 2018. FMR, with caveats, was declared 2 February 2024. The Capability Manager declared FOC 28 March 2024. The final two HQOTM vehicles will be delivered under the support contract in the second half of 2024. MAA closure and project closure are planned for October 2024. The project scope for ground based TRES will be delivered via an acquisition project known as the MRS. This acquisition is being conducted by Land Communications and Specialist Systems SPO using project funds. The procurement of the Tethered TRES project scope by JNT2072 Phase2B did not proceed following the conduct of risk reduction activities.</p>
<p>Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background JNT2072 Phase 2B has enhanced and modernised land force communications by replacing existing ADF deployable communication information systems. It replaced and enhanced the previous BTN with an I-BTN. Second Pass approval also included a new purpose built System Support Facility (SSF). This facility replaces the previous support facility that has been operating out of demountable buildings. The design and construction of the SSF was delivered by Security and Estate Group, with the new facility commissioned in September 2017. The delivered I-BTN capability is classified as developmental, as no off-the-shelf systems were available to meet the requirements for the I-BTN. The developed I-BTN integrated a range of both developmental components as well as a range of off-the-shelf components, to meet the requirements. The I-BTN capability was delivered in three releases:</p> <ul style="list-style-type: none"> • Release 1 was a transit case based capability with an initial level of functionality of the Network Planning and Management System. Commencement of delivery of Release 1 capability is aligned to achievement of IMR 1A. • Release 2 was additional bearers and includes the Medium Mounted Satellite Communications capability, tropospheric scatter, External Network Access Point and an additional Currawong Network Edge Strategic to Tactical interface site. • Release 3 included VMN and the HQOTM node as well as secure voice and video services. Completion of delivery of Release 3 capability aligned with achievement of FMR. <p>TRES will provide ground based retransmission of terrestrial tactical communications systems. TRES is not a component of the I-BTN and achievement of I-BTN FOC is not dependent on TRES. A performance based support contract was signed at the same time as the acquisition contract in September 2015 with Boeing Defence Australia Ltd. The support contract initially had a three-year term with rolling one-year extensions to a maximum of 12 years. The operative date of the support contract was 29 January 2018. As a consequence of Contract Change Proposal (CCP) 015, the introduction into service of equipment was delayed resulting in an extension in support contract term of three to five years at a reduced yearly expenditure. The total saving over the five-year period is approximately \$6.0 million. The support contract was transitioned to Battlespace Communications Operations Group in June 2018.</p>
<p>Uniqueness The project was both highly complex and technically challenging as a result of having to design an I-BTN that integrated capabilities being delivered by other projects within both the Capability Acquisition and Sustainment Group (CASG) and the Defence Digital Group (DDG) - formerly the Chief Information Officer Group (CIOG), as well as delivering an I-BTN technical solution that was required to interoperate with a multitude of external interfaces. Boeing Defence Australia Ltd was required to design and verify that the I-BTN provides end-to-end connectivity of specified BCS-L services from tactical environment into strategic network. Boeing Defence Australia Ltd executed the project in three capability releases across eight years. Boeing Defence Australia Ltd developed both hardware and the network planning and management system software, as well as buying and integrating off-the-shelf equipment. Boeing Defence Australia Ltd was also required to integrate its system with existing satellite bearer systems and Information Technology systems that have been delivered by other projects within CASG and DDG.</p>
<p>Major Risks and Issues The project is managing the following issues:</p> <ul style="list-style-type: none"> • The delivery of the final two HQOTM vehicles will be delayed to the second half of 2024 due to the late delivery of GFM to Boeing Defence Australia Ltd. • FMR was declared with caveats.
<p>Other Current Related Projects/Phases JNT2072 Phase 1 – Battlespace Communications Systems - Land BCS-L. The initial phase of the JNT2072 program, this project has delivered communications bearers to the Battle Management System (BMS), and enhancing communications for ADF</p>

Land elements through the development of a holistic battlespace communications architecture for the Land environment.
JNT2072 Phase 2A – Battlespace Communications Systems – Land (BCS-L). Phase 2A continued the rollout of products selected during Phase 1 primarily to provide voice services to dismounted users. Phase 2A also established a mature support system for ongoing sustainment of the Phases 1 and 2A materiel systems and contributed to ongoing prime system integration activities to evolve the BCS-L design. Investigation and/or market survey activities was conducted to specify and identify products for potential procurement in future phases.
JNT2072 Phase 3 – Battlespace Communications Systems – Land (BCS-L). This project introduced into service a digital communication backbone for land based elements of the ADF and their enabling elements. The capability was aligned with LAND 75 Phase 4 as part of a second tranche of LAND200 with the capability being a vital function of the BMS. This phase enhanced the digital communications backbone delivered under previous phases, expand the provisioning to additional land forces and ADF elements, and provided a new capability to support the distribution and data management of the land Battlespace.
JNT2072 Phase 1 – Battlespace Communications Systems – Land (BCS-L) and JNT2072 Phase 2A – Battlespace Communications Systems – Land (BCS-L). Delivered the initial Tactical Communication Network (TCN). The scope of JNT2072 Phase 2B included interface of the I-BTN to the TCN.
Protected Mobility System Program Office (SPO). Coordination of the in-service management of Bushmaster Protected Mobility Vehicle (PMV) fleet (procured by LAND116) including configuration updates.
The delivered I-BTN system interfaces with multiple ADF platforms; including combat and non-combat vehicles, deployable satellite communication systems, and strategic communication systems.
Note
Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance³

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
May 11	Original Approval (Government First Pass Approval)	3.9	1
May 15	Government Second Pass Approval	911.8	2
	Total at Second Pass Approval	915.7	
Jun 23	Real Variation – Transfer	1.0	3
Jun 24	Exchange Variation	31.9	
		32.9	
Jun 24	Total Budget	948.6	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Boeing Defence Australia Ltd	(719.1)	
	Contract Expenditure – Kellogg Brown and Root Pty Ltd	(26.8)	
	Other Contract Payments / Internal Expenses	(137.0)	4
		(882.9)	
FY to Jun 24	Contract Expenditure – Boeing Defence Australia Ltd	(21.4)	
	Contract Expenditure – Kellogg Brown and Root Pty Ltd	(4.2)	
	Other Contract Payments / Internal Expenses	(13.4)	5
		(39.1)	
Jun 24	Total Expenditure	(922.0)	
Jun 24	Remaining Budget	26.7	
Notes			
1	The projects original budget amount prior to Second Pass Approval. Government First Pass approval achieved May 2011 with funds received in October 2011.		
2	The total budget amount includes supplementary funding to JC4ISPO for the procurement of additional Enhanced Deployable Local Area Network (EDLAN) systems \$126.0m.		
3	Real Variation – Transfer of \$1.0m represents remaining funds from Capital Facilities and Infrastructure Branch being returned to the Project.		

Notice to reader

³ As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

4	Other Contract Payments/Internal Expenses: Small to Medium Enterprise (SME) / General Stores and Inventory (GSI) (EDLAN) (\$108.8m), HQOTM (\$18.5m), Travel, Overheads and Admin (\$4.2m), Other Contracted Technical Services (\$2.8m), Information and Communications Technology (ICT) Hardware and Software (\$1.6m), and Legal Services (\$1.1m).
5	Other Contract Payments/Internal Expenses: SME/GSI: (\$12.5m), Other Contracted Technical Services (\$0.7m), Overheads and Admin (\$0.2m), ICT Hardware and Software (\$0.03m), and Travel.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Materiel Movements
45.9	50.6	39.5	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> Variation is due to delays to the procurement of Mobile Transmission System equipment by Land Communications and Specialist Systems SPO. <u>PAES to Final Plan:</u> Variation is due to delays to the procurement of Mobile Transmission System equipment by Land Communications and Specialist Systems SPO.
Variance \$m	4.7	(11.1)	Total Variance (\$m): (6.4)
Variance %	10.3	(22.0)	Total Variance (%): (13.9)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(0.4)	Australian Industry	The project has spent \$39.1m in FY 2023-24 against a budget of \$39.5m. The variance is due to a number of factors, including: 1. Contractor costs lower than planned. 2. Delay in provision of the GFM to Boeing Defence Australia Ltd for the production of HQOTM vehicles 17 and 18, these vehicles are now planned to be delivered in second half 2024 (via Land Communications and Specialist Systems SPO). 3. Delay in the scope of work for enhancement of the I-BTN interfaces to the Defence Strategic Communications Network
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
39.5	39.1	(0.4)	Total Variance	
		(1.1)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Kellogg Brown and Root Pty Ltd (Integrated Support Contract)	Jul 15	9.6	33.4	Firm or Fixed	Standard Defence Contract	1
Boeing Defence Australia Ltd (I-BTN)	Sep 15	487.2	741.4	Firm or Fixed	Standard Defence Contract	2, 3
Notes						
1	The increase in contract price is due to the extension of Integrated Support Contractor (ISC) services as part of CCP08, which increased the level of resources, required to assist in Materiel Release 2 and Materiel Release 3. Further price increase is due to the extension of this contract by 12 months as part of CCP10, a further 12 months as part of CCP11, and an additional six months as part of CCP12.					
2	The increase in contract price reflects expenditure and remaining commitment as at 30 June 2024.					
3	The contract was amended via a nil price CCP (CCP47) to reflect a number of administrative matters and the removal of HQOTM vehicles 17 and 18.					

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2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Kellogg Brown and Root Pty Ltd (Integrated Support Contract)	N/A	N/A	Range of ISC Services in support of the JNT2072 Phase 2B Project.	-
Boeing Defence Australia Ltd (I-BTN)	See scope	See scope	1 x Force Node Vehicle Mounted. 2 x Tactical Interface Station. 8 x Formation Node Vehicle Mounted. 16 x HQOTM Node. 16 x Unit Node Vehicle Mounted. 18 x Formation Node Transit Case. 21 x Unit Node Transit Case. 23 x Relay Node Transit Case.	1, 2
Major equipment accepted and quantities to 30 Jun 24				
1 x Force Node Vehicle Mounted. 2 x Tactical Interface Station. 8 x Formation Node Vehicle Mounted. 16 x Unit Node Vehicle Mounted. 16 x HQOTM Vehicle (See Note 2). 18 x Formation Node / Man Portable Transit Case. 18 x Formation Node / Man Portable Transit Case Upgrade. 21 x Unit Node Man Portable / Transit Case. 21 x Unit Node Man Portable / Transit Case Upgrade. 23 x Relay Node Transit Case. 24 x Medium Mounted Satellite Terminal. 35 x Broadband Terrestrial Beyond Line Of Sight Transit Case.				
Notes				
1	The scope of the contract was varied under CCP015, in agreement with the Capability Manager, amending the number of required Tactical Interface Stations from four to three.			
2	The scope of the contract was varied via CCP046, in agreement with the Capability Manager, amending the number of HQOTM vehicles from 18 to 16. Two further HQOTM vehicles will be delivered by the project via the I-BTN Contract (Support). It is planned that this delivery will be complete by second half 2024.			

2.4 Australian Industry Capability

Summary	
The project has an AIC plan in place for Boeing Defence Australia Ltd with contracted AIC commitments where the Local Industry Activities are system and hardware integration, system safety and security engineering, and material packaging. The project does not have AIC Plan in place for Kellogg Brown and Root Pty Ltd because it is a service contract.	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	System Requirements Review (SRR) Release 1,2	May 16	N/A	Mar 16	(2)	1
	System Definition Review (SDR) Release 1, 2	Jul 16	N/A	Mar 16	(4)	1
Preliminary Design	Release 1	Oct 16	N/A	Sep 16	(1)	-
	Release 2 and 3	Oct 17	Oct 18	Jul 18	9	2, 3
Detailed Design	Release 1	Dec 16	N/A	Nov 16	(1)	-
	Release 2	Jan 18	Feb 19	Dec 18	11	2
	Release 3	Mar 20	N/A	Nov 19	(4)	4
	Support System – Release 1	Nov 16	Feb 17	Dec 16	1	5
	Support System – Release 2	Jan 18	Mar 19	Feb 19	13	2
	Support System – Release 3	May 20	N/A	Dec 19	(5)	4
TRES Design	Tethered Aerial TRES	N/A	N/A	N/A	N/A	6
Notes						
1	SRR/SDR covered both Release 1 and Release 2. Project subsequently split Release 2 into Release 2 and Release 3 as part of CCP015; with, the approved SRR/SDR remaining extant.					
2	Release 2 was impacted by delays affecting interfacing projects and note this against all Note 2 delays.					

3	Preliminary Design for Release 2 was completed in July 2018. Project subsequently split Release 2 into Release 2 and Release 3 as part of CCP015, with the approved Preliminary Design Review (PDR) remaining extant.
4	Release 3 was introduced as part of CCP015 that replaced the need for EDLAN integration with an alternate Local Area network (LAN). This reduced reliance on delayed interfacing projects. Detailed Design Review (DDR) for Release 3 was achieved earlier than planned as Boeing Defence Australia Ltd work towards target dates. All their artefacts were ready prior to contract date so DDR for Release 3 was entered into and achieved early.
5	The contract under CCP09 was amended to correct the sequencing of the Support System Detailed Design (SSDD) so it was logically scheduled to occur after the Mission System Detailed Design. SSDD for Release 1 was achieved ahead of the current contract date.
6	Ground based Terrestrial Range Extension System (TRES) will be delivered via a separate acquisition activity. Tethered TRES was not proceeded with – refer Section 4.1.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	Release 1 Mission System Integration & Interoperability Verification	Jul 17	Dec 17	Dec 17	5	1
	Release 2 Mission System Integration & Interoperability Verification	Apr 19	May 20	Mar 20	11	1
	Release 3 Mission System Integration & Interoperability Verification	Mar 21	N/A	Nov 21	8	2, 3
	TRES	N/A	N/A	N/A	N/A	4
Acceptance	System Acceptance – R1	Aug 17	Feb 18	Dec 17	4	1
	System Acceptance – R2	Jun 19	Jul 20	Apr 20	10	1
	System Acceptance – R3	May 21	Jan 22	Dec 21	7	2, 3
	System Acceptance – R3 System Maintenance Release (HQOTM)	Jan 22	May 22	Aug 22	7	5
	Final Acceptance (FA) – Acquisition Contract	Feb 21	Feb 23	Aug 23	30	2, 3
	Terrestrial Range Extension System (TRES)	N/A	N/A	N/A	N/A	4
Notes						
1	Release 2 expands the capability of Release 1, and has been impacted by delays affecting interfacing projects.					
2	Release 3 was introduced as part of CCP015 that replaced the need for EDLAN integration with an alternate Local Area Network (LAN). This reduced reliance on delayed interfacing projects.					
3	The movement of schedule due to CCP039 (COVID-19 Delay) resulted in a change to these dates and is reflected in MAA V2.3.					
4	Ground based Terrestrial Range Extension System (TRES) will be delivered via a separate acquisition activity. Tethered TRES was not proceeded with – refer Section 4.1.					
5	Delay due to safety Report On Defective or Unsatisfactory Materiel (RODUM).					

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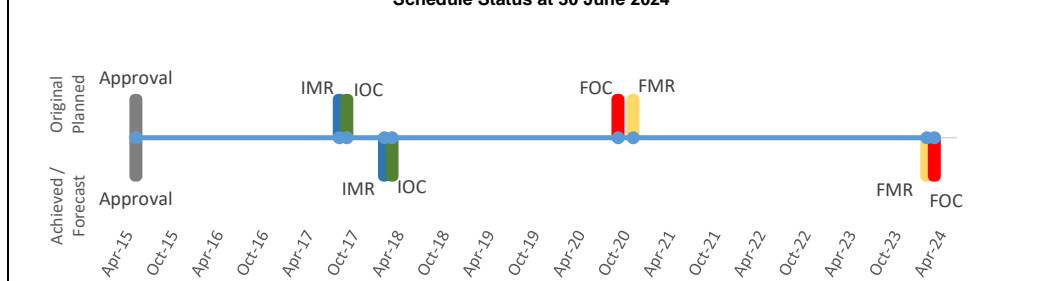
3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Integrated Battlespace Communications System Network (I-BTN)	N/A	N/A	N/A	-
Initial Materiel Release (IMR) 1A	Aug 17	Feb 18	6	1
I-BTN Initial Operational Capability (IOC)	Sep 17	Mar 18	6	1
(Release 1) Materiel Release 1	Oct 17	May 18	7	2
(Release 1) Materiel Release 2	May 18	Dec 18	7	2
(Release 1) Materiel Release 3	Oct 18	Apr 19	6	2
(Release 2) Materiel Release 5	Dec 19	May 21	17	1, 2
(Release 2) Materiel Release 6	Oct 20	Apr 22	18	1, 2, 3
(Release 3) Materiel Release 7	Nov 21	Jul 23	20	1, 2, 3
(Release 3) Materiel Release 8	Mar 22	Jul 23	16	1, 2, 3
I-BTN Final Materiel Release (FMR)	Nov 20	Feb 24	39	1, 2, 3, 4,
Deployable Local Area Network (DLAN) Hardware Release	Jul 18	Jun 19	12	5
Terrestrial Range Extension System (TRES) Materiel Release	N/A	N/A	N/A	6
I-BTN Final Operational Capability (FOC)	Sep 20	Mar 24	42	7

Notes

1	Due to delays incurred to date with interfacing projects, alternative interim interface requirements for Release 1 were implemented and resulted in a six-month slip to IMR 1A and IOC (I-BTN). This delay resulted in reallocation of Release 2 equipment into Materiel Release 5, introduced Materiel Release 6, and removed Materiel Release 4. CCP15 introduced Release 3 (Materiel Releases 7 and 8) to remove the requirement to integrate I-BTN with EDLAN. There was a resultant slip to FMR of 16 months to forecast date. Materiel Releases 5 and 6 have been delivered. Materiel Releases 7 and 8 were subject to vendor delays. Boeing Defence Australia Ltd delivered Materiel Release 7 and Materiel Release 8 equipment to the Commonwealth in June 2023. Delivery of equipment from Commonwealth to Army was finalised in December 2023. FMR was declared, with caveats 2 February 2024. FOC was declared 28 March 2024.
2	Materiel Release (Release 1, Release 2, Release 3) milestones will be achieved when the units receiving the capability sign the unit acceptance certificate. This variance is dependent on unit availability to conduct the unit test activity.
3	The movement of schedule due to COVID-19 related delays resulted in a change to these dates that was reflected in the final version of the MAA. Version 2.4 approved 15 December 2023.
4	I-BTN FMR was declared with caveats 2 February 2024. FOC was declared 28 March 2024.
5	Integration between EDLAN and the I-BTN is no longer required. Army has endorsed the declaration of the DLAN Hardware Release milestone, as no further work will be undertaken due to the I-BTN system no longer being required to integrate with the EDLAN system.
6	Ground based TRES will be delivered via a separate acquisition activity. Tethered TRES was not proceeded with – refer Section 4.1.
7	The Capability Manager has advised government of the revised FOC date of March 2024. FOC was declared 28 March 2024.

Schedule Status at 30 June 2024






Note

Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
 <p>99%</p>	<p>Green: The project is currently meeting the majority of capability requirements as expressed in the MAA and supporting suite of Capability Definition Documentation.</p>
 <p>0%</p>	<p>Amber: N/A</p>
 <p>1%</p>	<p>Red: This relates to the JNT2072 Phase 2B ground based and Tethered TRES scope. The project scope for ground based TRES will be delivered via an acquisition project known as the MRS. This acquisition is being conducted by Land Communications and Specialist Systems SPO using project funds. The Tethered TRES project scope did not proceed following the conduct of risk reduction activities. The scope of the contract was varied via CCP046, in agreement with the Capability Manager, amending the number of HQOTM vehicles from 18 to 16. The MAA was updated to reflect this change. Two further HQOTM vehicles will be delivered by the project via the I-BTN Contract (Support). It is planned that this delivery will be complete by October 2024. The two remaining HQOTM vehicles will be delivered by Land Communications and Specialist Systems SPO.</p>

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> Verification & validation, testing and certification completed. Initial Learning Management Packages Approved. Initial Support Contract is in place. Commonwealth acceptance of supplies for those units identified for Materiel Release 1. Completion of Acceptance Testing for initial release. <p>IMR 1A was achieved in February 2018.</p>	Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> For Army - Delivery of four man portable formation nodes, four unit nodes, and three High Capacity Line of Sight (HCLOS) with trained soldiers to enable planning, configuration and operation of Force and Formation level networks. For Air Force - Delivery of four man portable formation nodes, two man portable unit nodes and one HCLOS with trained crew to enable planning, configuration and operation of a Formation level network. <p>IOC was achieved in March 2018.</p>	Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> Verification & validation, testing and certification completed. All elements of the Mission System are delivered to units. All introduction into service training is completed and approved Learning Management Plans for sustainment training delivered to Army. Mature Support Contract in place including delivery of Data Transfer Equipment. Delivery of Hand-Held Satellite Terminal. <p>FMR was declared with caveats 2 February 2024.</p>	Achieved with Caveats
Final Operational Capability (FOC)	<p>The provision, support and training of the I-BTN to all Army and Air Force in accordance with the Basis of Issue. Scope includes:</p> <ul style="list-style-type: none"> 1 x Force Node Vehicle Mounted. 2 x Tactical Interface Station. 8 x Formation Node Vehicle Mounted. 16 x Unit Node Vehicle Mounted. 16 x HQOTM node. 18 x Formation Node Transit case. 	Achieved

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	<ul style="list-style-type: none"> 21 x Unit Node Transit Case. 23 x Relay Node Transit Case. FOC was declared 28 March 2024.	
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Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	The delivery of the final two HQOTM vehicles will be delayed to the second half 2024 due to the late delivery of GFM to Boeing Defence Australia Ltd.	<p>The PMV – Medium (Bushmaster) vehicle on which the HQOTM is based is subject to an engineering change for a new power management system.</p> <p>This engineering change will now not be finalised until second half 2024 delaying delivery of the vehicles to Boeing Defence Australia Ltd which then delays the production and delivery of the final two HQOTM vehicles. JNT2072 Phase 2B will continue to work closely with the Bushmaster vehicle contractor, Thales Australia Ltd, and Boeing Defence Australia Ltd to minimise the impact of this issue. This Issue has been downgraded from very high to medium.</p>
2	Final Materiel Release (FMR) Caveats.	<p>FMR was declared with caveats. The caveats are:</p> <ol style="list-style-type: none"> 1. A small number of Engineering Deviations concerning Air Transportation Certification of two I-BTN assemblies that will be finalised in 2024. 2. Enhancement of the I-BTN interfaces to the Defence Strategic Communications Network. 3. Maturing of the in-service management framework for the I-BTN.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured three lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observations. Collaborative engagement by the Contractor, CASG and the Capability Manager has resulted in better outcomes for the delivered capability.	Program, Project & Product Management
DLR Lesson Type – Observations. Contracting for a performance based support contract at the same time as the acquisition contract results in better design decisions during the acquisition contract.	Commercial Management
DLR Lesson Type – Observation. User engagement during the Mission System Integration Test Events has resulted in an improved capability by early user engagement during the design phase. This also leads to improving the management of user expectations.	Engineering and Technical

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Joint Systems Division
Branch	Land C4 Systems

Part 4. JCPAA 2023–24 Major Projects Report Guidelines



Australian Government
Department of Defence



Endorsed by the Joint Committee of Public Accounts and Audit

19 October 2023

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Purpose

1.1 The objective of the Major Projects Report (MPR) is ‘to improve the accountability and transparency of Defence acquisitions for the benefit of Parliament and other stakeholders.’¹ In February 2012 the Joint Committee of Public Accounts and Audit (JCPAA) identified this review as a ‘Priority Assurance Review’ under subsection 19A(5) of the *Auditor-General Act 1997* (the Act), allowing the Australian National Audit Office (ANAO) full access to the information gathering powers under the Act. Under section 24 of the Act, the Auditor-General sets the relevant auditing standards that are to be complied with in this review.

1.2 The purpose of the Guidelines is to set the criteria for the Department of Defence’s (Defence) preparation of Project Data Summary Sheets (PDSSs) for the selected projects. Draft Guidelines are prepared annually by the ANAO, following consultation with Defence, before they are submitted for endorsement by the JCPAA.

1.3 The terms of the review engagement are communicated to Defence through ANAO correspondence prepared in accordance with auditing standards set by the Auditor-General.

Introduction

1.4 The MPR is tabled in the Parliament and has the following parts.

- (a) The Auditor-General may choose to include ANAO review and analysis in the report. This has, in the past, been included in Part 1 of the MPR. Part 1 may also include the ANAO’s assessment of selected Defence systems and controls, including the governance and oversight in place, to ensure appropriate project management.
- (b) Part 2 comprises Defence’s commentary, analysis and appendices, also referred to as the Defence MPR (not included within the scope of the Independent Assurance Report by the Auditor-General).
- (c) Part 3 incorporates the Independent Assurance Report by the Auditor-General, the Statement by the Secretary of Defence, and the PDSSs prepared by Defence.
- (d) Part 4 reproduces the Major Projects Report Guidelines endorsed by the JCPAA, which provide the criteria for Defence’s compilation of PDSSs.

1.5 The MPR will include reporting on the performance of selected major Defence equipment acquisition projects (Major Projects) since Second Pass Approval², and associated sustainment activities (where applicable), managed by Defence.³ The summary project data is prepared by Defence and reviewed by the ANAO.

1.6 The Major Projects included within the MPR are selected on the basis of criteria endorsed by the JCPAA and provided to the JCPAA by the ANAO.

1.7 The 2023–24 MPR will report on 21 projects as endorsed by the JCPAA. The number of projects included in the MPR since its inception is shown in Table 1.

¹ Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, Report 473: Defence Major Projects Report (2016–17), (2018), Executive Summary, p. 1. Joint Committee of Public Accounts and Audit, Parliament of the Commonwealth of Australia, Report 483: Inquiry into the 2018–19 Defence Major Projects Report and the Future Submarine Project – Transition to Design (Auditor-General’s Reports 19 and 22 (2019–20)), (2020), Objective of the Major Projects Report, p. 6.

² Projects which are pre-Second Pass Approval but have spent more than \$500m may also be considered.

³ For the purposes of the MPR, a project is defined as the acquisition or upgrade of Specialist Military Equipment, which normally excludes facilities and other Fundamental Inputs to Capability.

Table 1: Number of projects included in the MPR

MPR	Projects	MPR	Projects
2007–08	9	2016–17	27
2008–09	15	2017–18	26
2009–10	22	2018–19	26
2010–11	28	2019–20	25 ⁴
2011–12	29	2020–21	21
2012–13	29	2021–22	21
2013–14	30	2022–23	20
2014–15	25	2023–24	21
2015–16	26		

1.8 Defence project data is presented in a PDSS prepared for each of the Major Projects. Each PDSS includes information as at 30 June of the reporting year. The ANAO’s limited assurance review is designed to enable the ANAO to obtain sufficient appropriate evidence for the Auditor-General to form a conclusion reported in the Auditor-General’s Independent Assurance Report.

1.9 These Guidelines:

- (a) provide the criteria for project selection and the list of projects for inclusion in the 2023–24 MPR;
- (b) outline the roles and responsibilities of Defence in the production and quality assurance of Defence’s contribution to the 2023–24 MPR⁵;
- (c) provide requirements for the preparation of the PDSSs;
- (d) provide the PDSS template; and
- (e) provide an indicative program schedule in support of a November 2024 tabling.

1.10 The MPR Guidelines are reviewed and amended to reflect lessons learned and the outcomes of JCPAA review of successive MPRs, in order to improve MPR processes and ensure the report meets its objective. At the JCPAA’s request, the ANAO has taken administrative responsibility for updating the Guidelines annually and submitting them to the Committee for endorsement with covering advice. These processes occur following consultation with Defence.

Criteria for Project Selection

Criteria for Project Entry

1.11 The inclusion of projects in the MPR is generally based on the projects included in the Defence Integrated Investment Program and is subject to the following criteria:

- (a) projects may be admitted one year after receiving government Second Pass Approval⁶;
- (b) projects may be admitted before receiving Second Pass Approval, but need to have spent > \$500m;
- (c) a project should have a total approved project budget of > \$400m;

⁴ The 2019–20 MPR Guidelines, endorsed in September 2019, stated that 30 projects would be included. Five projects exited after the 2019–20 MPR Guidelines were endorsed.

⁵ The ANAO’s roles and responsibilities are established by the *Auditor-General Act 1997*, other relevant legislation and the ANAO auditing standards, and are communicated to auditees for each engagement.

⁶ The Capability Life Cycle (CLC) was redesigned following the First Principles Review, to deliver a risk- based decision-making and capability management process. Not all projects in the 2023–24 MPR will have been approved under the updated process, but will have had at least one Second Pass approval or key government decision.

- (d) a project should have at least three years of asset delivery remaining;
- (e) a project should have at least 30 per cent of its budget remaining; and
- (f) a maximum of five new projects to enter the MPR in any one year.

1.12 Projects approved with tranching or rolling acquisition approaches spanning decades may be considered for a specified period and/or capability acquisition (such as a single tranche or approved work package) provided the above criteria are met. These projects' inclusion in the MPR may be extended by the JCPAA.

1.13 Projects selected for inclusion in the MPR may be proposed by Defence or the ANAO, based on the above criteria. The ANAO provides comments and advice to the JCPAA on such proposals by 31 August.

Criteria for Project Exit

1.14 The removal of projects from the MPR is generally based on the declaration of Final Operational Capability (FOC), or a pre-FOC risk assessment⁷ of the timely declaration of FOC where a significant portion of the project's deliverables are complete, and subject to consideration of each of the following matters:

- (a) the outstanding deliverables pre-FOC, against the relevant Materiel Acquisition Agreement (MAA) or Product Delivery Agreement (PDA)⁸, and/or government approval;
- (b) the remaining schedule to FOC⁹, against the relevant MAA or PDA and/or government approval;
- (c) the remaining budget to FOC, against the relevant MAA or PDA and/or government approval;
- (d) the remaining project risks and issues;
- (e) Project of Interest or Project of Concern status¹⁰; and
- (f) the Capability Manager's assessment, including the overall risk rating and the extent to which this risk rating relates to the Capability Acquisition and Sustainment Group's (CASG) and/or the Naval Shipbuilding and Sustainment Group's (NSSG) responsibilities.¹¹

1.15 Projects selected for removal from the MPR may be proposed by Defence or the ANAO, based on the above criteria. The ANAO provides comments and advice to the JCPAA on such proposals by 31 August.

1.16 Projects that have met the exit criteria and been endorsed for removal by the JCPAA should be removed from the list of projects included in the MPR in the subsequent year. Expenditure and milestone information for these projects will be included in Part 2 of the MPR in the subsequent year.

1.17 Projects that have been removed from the MPR that still have outstanding exceptions to the achievement of significant milestones declared by Defence (Initial Materiel Release, Initial Operational Capability, Final Materiel Release and Final

⁷ The pre-FOC risk assessment could be informed by Defence's Independent Assurance Review process.

⁸ MAAs are intended to be phased out and gradually replaced by PDAs. A PDA is an agreement between the Project or Product Sponsor (or if not appointed, then the Program Sponsor) and lead Delivery Group which specifies the scope, resourcing, priorities and performance and preparedness requirements for support of a capability system throughout its life, to support performance measurement. Department of Defence, *Product Life Cycle Guidance*, April 2022, Chapter 2 – Project/Product Governance, p. 20.

⁹ In general, if a project is within 12 months of declaring FOC, it should be considered for exit, subject to the Capability Manager's risk assessment.

¹⁰ Acquisition projects with issues and risks raised against schedule, cost, and/or capability performance that warrant heightened internal senior management attention are to be managed in accordance with CASG (PM) 007 – *Delivery Group Performance Management and Reporting, and Management Of Projects and Products Of Interest and Concern*, February 2023. Entry to and exit from the Projects/Products of Concern list is decided by the Minister for Defence Industry, the Delivery Group Head or the Capability Manager (or the Group Head alone in cases where both roles reside in one Group).

¹¹ CASG and NSSG are part of Defence and exist to meet the Australian Defence Force's (ADF) military equipment and supply requirements as identified by Defence and approved by government.

Operational Capability) and/or significant remaining materiel capability to be delivered, are required to report on the status of these activities in the Statement by the Secretary of Defence until their final status is accepted by the Capability Manager.

1.18 MPR projects that have been cancelled will remain in the MPR until project finalisation or a significant portion of the project's finalisation activities are complete. A PDSS for the project will need to be prepared detailing close-out activities—including any contract payments, contingent/trailing liabilities, and decisions to transfer scope as a result of the cancellation of associated contracts—until the JCPAA endorses the project's exit from the MPR. If a cancelled project exits the MPR prior to finalisation, it must report on the status of remaining finalisation activities in the Statement by the Secretary of Defence until the formal closure of the project.

2023–24 Project Selection

1.19 Table 2 lists the projects included in the 2023–24 MPR program.

Table 2: Projects for the 2023–24 MPR

Project Number	Project Name	Defence Abbreviation
AIR 6000 Phase 2A/2B	New Air Combat Capability	Joint Strike Fighter
SEA 5000 Phase 1	Hunter Class Frigate Design and Construction	Hunter Class Frigate
LAND 400 Phase 2	Combat Reconnaissance Vehicles	Combat Reconnaissance Vehicles
LAND 4503 Phase 1	Armed Reconnaissance Helicopter (ARH) Replacement	ARH Replacement
SEA 1180 Phase 1	Offshore Patrol Vessel	Offshore Patrol Vessel
LAND 121 Phase 3B	Medium Heavy Capability, Field Vehicles, Modules and Trailers	Overlander Medium/Heavy
AIR 5349 Phase 6	Advanced Growler Development	Advanced Growler
AIR 555 Phase 1	Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) Capability	Peregrine
LAND 907 Phase 2/ LAND 8160 Phase 1	Main Battle Tank Upgrade, Combat Engineering Vehicles	Heavy Armoured Capability
AIR 7000 Phase 1B	MQ-4C Triton Remotely Piloted Aircraft System	MQ-4C Triton
LAND 121 Phase 4	Protected Mobility Vehicle – Light (PMV-L)	Hawkei
SEA 9100 Phase 1	Improved Embarked Logistics Support Helicopter	IE Logistics Support Helicopter
LAND 19 Phase 7B	Short Range Ground Based Air Defence	SRGB Air Defence
AIR 2025 Phase 6	Jindalee Operational Radar Network	JORN Mid-Life Upgrade
AIR 5431 Phase 3	Civil Military Air Management System	CMATS
LAND 200 Tranche 2	Battlefield Command System	Battlefield Command System
JNT 2072 Phase 2B	Battlespace Communications System Phase 2B	Battle Comm. Sys. (Land) 2B
SEA 1439 Phase 5B2	Collins Class Communications and Electronic Warfare Improvement Program	Collins Comms and EW
SEA 3036 Phase 1	Pacific Patrol Boat Replacement	Pacific Patrol Boat Repl
SEA 1442 Phase 4	Maritime Communications Modernisation	Maritime Comms
SEA 1448 Phase 4B	ANZAC Air Search Radar Replacement	ANZAC Air Search Radar Repl

Note 1: Land 4503 Phase 1 Armed Reconnaissance Helicopter (ARH) Replacement and SEA 9100 Phase 1 Improved Embarked Logistics Support Helicopter are included in the MPR Program for the first time in 2023–24.

1.20 For each project removed from the MPR, the lessons learned at both the project level and the whole-of-organisation level should be included as a separate appendix in the following year's Defence chapter of the MPR.

Defence's Roles and Responsibilities

1.21 Defence will provide each project's PDSS for ANAO review. The Secretary of the Department of Defence (Secretary) is responsible for ensuring that the PDSSs are prepared in accordance with these Guidelines and for ensuring that the PDSSs and supporting evidence provided for ANAO review are materially accurate and complete. The Secretary is also responsible for providing to the ANAO: the finalised Defence chapters; the *Statement by the Secretary of Defence*; and the PDSSs for inclusion in the MPR.

1.22 Defence is responsible for ensuring that information of a classified nature is made available to the ANAO for review, as it relates to the data contained within the PDSSs. Defence will provide data for inclusion in the final MPR in a way that allows for unclassified publication. Defence will provide advice to the ANAO on the classification of information in individual PDSSs and the aggregated security classification of information contained across all PDSSs.

1.23 Defence's positions, roles and responsibilities are outlined in Table 3.

Table 3: Defence's Positions, Roles and Responsibilities

Position	Role	Responsibility
Secretary of Defence	Defence accountability	<ul style="list-style-type: none"> Primary accountability for the completeness and accuracy of Defence's contributions to the MPR. Sign off on the <i>Statement by the Secretary of Defence</i>, including Significant Events Occurring Post 30 June 2024.
Vice Chief of the Defence Force	Joint Force Authority	<ul style="list-style-type: none"> Provision of advice with regards to the overall security classification of the aggregated information contained within the PDSS suite, and suitability for unclassified publication.
Deputy Secretary – Capability Acquisition and Sustainment Group (CASG) / Naval Shipbuilding and Sustainment Group (NSSG)	Business Owner	<ul style="list-style-type: none"> Obtain cascading sign offs from Branch and Division Heads on the data and content in the unclassified PDSS suite. Clearance of the PDSSs and Defence analysis, or delegation as appropriate.
Chief Finance Officer	Financial advice and assurance	<ul style="list-style-type: none"> Responsibility for financial advice and information in the Defence contribution to the MPR. Coordination and provision of corporate budget information. Quality assurance of all financial data.
First Assistant Secretary Defence Integrity Division	Overall Relationship Management	<ul style="list-style-type: none"> Provision of assistance/support when called upon by ANAO or Defence. This may include the provision of advice to, and facilitation of clearance by, the Secretary. Provision of advice on matters of an audit/assurance nature.
First Assistant Secretary Strategy, Planning and Independent Assurance	MPR management and accountability	<ul style="list-style-type: none"> Advice to responsible Deputy Secretaries and the Secretary. Clearance of the unclassified PDSS suit and Defence MPR. Liaison with ANAO senior management.

Position	Role	Responsibility
Assistant Secretary Independent Project and Portfolio Management Office	MPR coordination and liaison	<ul style="list-style-type: none"> Liaison with the ANAO MPR Team and facilitating access to information required by the ANAO. Guidance and direction to project offices. Manage the MPR Program and schedule with the ANAO MPR team. Development, configuration management and quality assurance of the Defence MPR, PDSS suite and evidence packs to ensure completeness and accuracy.
Project Directors/Managers	PDSS development and generation of evidence packs	<ul style="list-style-type: none"> Develop the project's PDSS and associated evidence packs, including the mapping of evidence to disclosures within the PDSS, in compliance with the Guidelines. Actively engage the ANAO MPR team in its review of the project's PDSS.
Capability Managers	PDSS confirmation	<ul style="list-style-type: none"> Responsibility for confirming the project's status, particularly progress toward the Initial Materiel Release (IMR), Initial Operational Capability (IOC), Final Materiel Release (FMR) and Final Operational Capability (FOC) milestones. Confirmation that the information contained within the PDSSs is unclassified.

MPR Process

1.24 The JCPAA identified the MPR as a Priority Assurance Review in its Report 429: Review of the 2010–11 Defence Materiel Organisation Major Projects Report. Consequently, the ANAO has full access to the information gathering powers under the *Auditor-General Act 1997* (the Act), pursuant to subsection 19A(5) and section 31 of the Act.

1.25 An indicative schedule for the MPR program has been established (refer to page 29). The schedule provides for a pre-30 June site visit period for the ANAO to conduct PDSS and project reviews. Project data should be prepared for this period at the date selected for the ANAO's review, without anticipating outcomes for the post 30 June review. A second period will be set aside after the end of the financial year for reviewing completed PDSSs.

1.26 The ANAO will coordinate with Defence on project site visits to review the PDSS and evidence material. Defence will provide the ANAO with a Defence quality assured copy of the PDSS together with the relevant evidence pack (electronically). The evidence pack will be appropriately structured and mapped to the PDSS by the project for efficient review. Project teams are to ensure that each statement within the PDSS has an identified evidence source.

1.27 In the interests of procedural fairness, contractors named within a PDSS will be consulted before Defence finalises the PDSS. The aim of the consultation is to provide the contractor with an opportunity to comment on relevant PDSS extracts. Defence will request that contractors provide the ANAO with a copy of their comments (including nil returns) in relation to any errors or misstatements in the PDSS. Defence will consider contractors' comments received within specified and reasonable time limits. Defence will also keep the ANAO informed of how it intends to deal with contractor responses to the PDSS suite.

1.28 The ANAO may engage directly with contractors, as necessary, to seek clarification regarding their comments on project data, and will keep Defence informed of feedback and outcomes.

Formatting Requirements for Project Data Summary Sheets

1.29 Each PDSS is part of a public document to be tabled in the Parliament. The following style conventions must be followed to ensure consistency across the PDSS suite.

- (a) PDSSs should be kept to an optimum length of 10 pages, focus on key information, and must be updated based on the latest template included in this document (refer to page 22).
- (b) Where possible, acronyms and jargon are not to be used. When acronyms or ADF specific terms (or similar) are used, the first use must be spelt out in full and included in the Defence Glossary. Similarly, language describing caveats, exceptions or limitations, or other similar terms, should be explained.
- (c) Project names should be written in full or with the approved Defence abbreviation, and should be presented with an initial capital, e.g. Joint Strike Fighter.
- (d) All costs should be shown as \$m (millions) and be rounded to one decimal place (i.e. to the nearest \$100,000), with negative amounts in brackets.
- (e) All costs are to be expressed in Australian dollars (AUD).
- (f) Dates in the PDSS narratives should be presented as Month 20yy, and dates in the PDSS tables should be presented as Mmm YY (e.g. Jul 09). Time variations should be shown as full months.
- (g) Any cells in a table not containing data should be shown as 'N/A'.
- (h) Alignment of data within tables is to be positioned as per the template in this document.
- (i) Any data that Defence has advised should not be disclosed publicly in a PDSS is to be noted as Not for Publication (NFP).¹²

¹² Paragraph 1.22 of these guidelines provides that Defence is responsible for ensuring that information of a classified nature is made available to the ANAO for review, as it relates to the data contained within the PDSSs.

Requirements for Preparation of Project Data Summary Sheets

Heading	Data	Information Required
Project Header	Project Number	The number of the project as approved by government. This should be depicted in bold text.
	Project Name	The name of the project as approved by government. This should be depicted in bold upper-case text.
	First Year Reported in the MPR	The year the project was first reported in the MPR, in 20xx–xx date format.
	Capability Type	Either one or a combination of: <ul style="list-style-type: none"> • New; • Replacement; • Upgrade; • Upgrade and New; • Replacement and New. An alternative descriptor where the above types are not applicable.
	Capability Manager	Either one or a combination of: <ul style="list-style-type: none"> • Chief of Navy; • Chief of Army; • Chief of Air Force; • Chief of Joint Capability; • Vice Chief of the Defence Force; • Deputy Secretary Strategic Policy and Intelligence; • Chief of Defence Intelligence.
	Government 1st Pass Approval	The date Government First Pass Approval was given.
	Government 2nd Pass Approval / key Government pre Second Pass Approval (<i>specify one</i>)	The date Government Second Pass Approval was given (with multiple dates for multiple Government Second Pass Approvals). Where a project has entered the MPR but has not yet achieved Second Pass Approval, the date is a pre-Second Pass Approval date based on a key Government decision.
	Budget at 2nd Pass Approval	The approved project budget in AUD as at the most recent Government Second Pass Approval, excluding price indexation and exchange variation. This amount should equal the sub total of the project budget in Section 2.1 as at the most recent Second Pass Approval. Where a project has entered the MPR but has not yet achieved Second Pass Approval, the amount is a pre-Second Pass Approval budget based on a key Government decision.
	Total Approved Budget (Current)	The current approved project budget in AUD. This amount should equal the Total Budget in Section 2.1 Project Budget (out-turned) and Expenditure History.
	2023–24 Budget	The estimated project expenditure for 2023–24 as per the Estimate Final Plan at 30 June 2024. This amount should be equal to the Estimate Final Plan in Section 2.2A and Section 2.2B.
	Complexity	The project's Acquisition Categorisation (ACAT) level.
Project Image	Image of the project to be provided to the ANAO by	

Heading	Data	Information Required
		the Defence MPR team in a separate file as a high-resolution JPG at a minimum resolution of 1600 pixels on the longest edge.
SECTION 1 – PROJECT SUMMARY		
Section 1.1 Project Description	Description	A short description of the project, which summarises capability delivery and, where appropriate, equipment quantities. This information should be consistent with other sections of the PDSS.
Section 1.2 Current Status	Cost Performance	<p><u>In-year</u></p> <p>The project's current progress, at a strategic level, against its in-year budget (specifying whether more, or less, was spent than budgeted), and a succinct explanation of causes for variations.</p> <p>This statement should align with the In-year Budget/Expenditure Variance explanation in Section 2.2B and is to be presented in AUD.</p> <p><u>Project Financial Assurance Statement</u></p> <p>A statement of whether the budget remaining, together with the estimated future expenditure and current known risks, is sufficient for completing the project. If the budget is sufficient, the statement should be based on the following standard text:</p> <p><i>As at 30 June 2024, project [insert project number] has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this 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.</i></p> <p>If the budget is insufficient, the statement is to be modified accordingly and/or is to describe the project's unique circumstances (such as requiring the use of contingency, or to note cost risks disclosed in Section 5 – Major Risks and Issues of the PDSS). Where modified, a description of the actions the project is undertaking to address the insufficiency of the budget is to be included.</p> <p><u>Contingency Statement</u></p> <p>A statement of whether the project has/has not applied contingency funds this financial year. The amount of contingency is not required. Standard text:</p> <p><i>[positive case]: The project has applied contingency in the financial year primarily for the treatment of [insert a risk description¹³] risk or issue [and where possible include linkage to Section 5 – Major Risks and Issues and specified remediation activities]; or</i></p> <p><i>[negative case]: The project has not applied contingency in the financial year.</i></p> <p>This section must be consistent with the data in Section 2 – Financial Performance.</p>
	Schedule Performance	A brief description, at a strategic level, of key

¹³ Refer to Department of Defence, (CP) 005 – Capability Acquisition and Sustainment Risk Manual, August 2021, p. 23.

Heading	Data	Information Required
		<p>schedule milestones achieved so far and issues facing the project in achieving future milestones. Milestone achievements or non-achievements in the current year and the variance in months are to be included.</p> <p>Outline Schedule Performance as per following timeline:</p> <ol style="list-style-type: none"> 1. Overall schedule status – IOC /FOC 2. In year schedule status 3. Next Financial Year key schedule activities <p>This section must be consistent with what is stated in Section 3 – Schedule Performance.</p>
	<p>Materiel Capability/Scope Delivery Performance</p>	<p>A brief update, at a strategic level, on the materiel capability delivered to date, and expected future delivery.</p> <p>Detailed technical performance of systems is to be avoided and classified information is not to be disclosed.</p> <p>This section must be consistent with what is stated in Section 4 – Materiel Capability/Scope Delivery Performance.</p>
<p>Section 1.3 Project Context</p>	<p>Background</p>	<p>A succinct summary level statement that covers Government approvals history and any strategic changes that have occurred since approval. For projects approved under the Capability Life Cycle model, a short description of Defence “Smart Buyer” outcomes considered at Government approval is to be included. If a “Smart Buyer” risk assessment considered at Second Pass was not conducted, a brief description of the reasons why not is to be included.</p> <p>Any decisions resulting in transfers of scope into or out of the project are to be described. This information should be consistent with any transfers of budget presented in Section 2, capability presented in Section 4 and risks and issues presented in Section 5.</p> <p>For projects that have been announced as a Project of Concern (PoC) by the responsible Minister (currently the Minister for Defence Industry), the following information is to be included:</p> <ul style="list-style-type: none"> • date the project was announced as a PoC; • reason the project was placed on the PoC list; • remediation activities being undertaken; and • date of removal from the PoC list (if applicable). <p>For projects that have been determined to be a Project of Interest (PoI), the following information is to be included:</p> <ul style="list-style-type: none"> • date the project was made a PoI; • reason the project was placed on the PoI list; • remediation activities being undertaken; and • date of removal from the PoI list (if applicable). <p>Note: stop payments or liquidated damages should be referred to here or elsewhere in Section 1 (disclosure of amounts is not required).</p>

Heading	Data	Information Required
	Uniqueness	A brief explanation of the particular aspects that make this project unique, for example: introducing a new capability to the ADF, replacing obsolete capability with new technology, or is contributing to Australian capability.
	Major Risks and Issues	A succinct summary statement of the major risks and issues disclosed in Section 5 – Major Risks and Issues. Where the project has achieved a milestone with an exception, a brief description of the exception is to be included in the PDSS. Exceptions could include: caveats, deficiencies, limitations, restrictions or anything of a similar nature. This should be consistent with the description in Section 5.2.
	Other Current Related Projects/Phases	A list of the current approved projects (i.e. Second Pass has been achieved) relating to the same platform and/or with the same main project number (e.g., SEA xxxx), including the phase of the project, and a brief description of the capability (i.e. one or two short sentences).
SECTION 2 – FINANCIAL PERFORMANCE		
Section 2.1 Project Budget (out- turned) and Expenditure History	Project Budget	
	Original Approved	The first budget approved by Government. This could be through an Original, Interim, First or Second pass approval. In brackets, the Approval source is to be disclosed (e.g. Government First or Second Pass Approval). The project budget approvals should be consistent with and traceable to the Defence IIP BROADSHEET and CABSUBS budgets.
	Real Variation	<p>All variations to be included are shown below, where they are applicable to the project with an explanation for each variation included within the Notes. All values are to be presented in AUD and negative values in brackets.</p> <p>“Subsequent Government Approvals” are the addition of funds via any specific Government Approval after the Original Approved. If the approval is a Government First or Second Pass Approval, it is to be disclosed in bold text. The date of the variation is to be the date the funds were received in the Financial Management Information System (FMIS), and not the date of the Government decision, if different.</p> <p>“Scope” changes are attributable to changes in requirements by Defence and government. These generally take the form of changes in quantities of equipment, a change in requirements that result in specification changes in contracts, changes in logistics support requirements or changes to services to be provided which are accompanied by a corresponding budget adjustment.</p> <p>“Transfers” occur when a portion of the budget and corresponding scope is transferred to or from another approved project or sustainment product in CASG or to another Group in Defence in order to more efficiently manage delivery of an element of project scope and to vest accountability for</p>

Heading	Data	Information Required
		<p>performance accordingly.</p> <p>“Budgetary Adjustments” account for corrections resulting from foreign exchange or indexation accounting estimation errors. Also included under this heading are administrative decisions that result in variations such as efficiency dividends imposed on project budgets or adjustments made to fund Defence initiatives.</p> <p>“Real Cost Increases” These funds have been approved by government to increase the Project’s budget (generally without a change in scope).</p> <p>“Real Cost Decreases” These funds have been handed back to the Defence Portfolio.</p> <p>The elements above are added to form a subtotal for a single amount for all real variations (including Government Second Pass Approvals).</p>
	<p>Total at Second Pass Approval/key Government pre- Second Pass Approval (<i>specify one</i>)</p>	<p>A subtotal in the \$m column which sums each individual Government approval and real variation, until the most recent Second Pass Approval (or key Government pre- Second Pass Approval). This figure should match the Budget at 2nd Pass Approval (or key Government pre-Second Pass Approval) in the Header section and should be shown in AUD.</p>
	<p>Price Indexation</p>	<p>Variations to the Original Approved project cost due to price indexation and out-turning adjustments, to take account of variations in labour and materiel indices over time. This is disclosed where applicable, i.e. not for projects approved post July 2010 in out- turned prices.</p>
	<p>Exchange Variation</p>	<p>Variations to the Original Approved project cost due to foreign exchange adjustments brought about by changes in foreign exchange rates for payments in foreign currency.</p>
	<p>Total Budget</p>	<p>The sum of the above.</p> <p>This should reconcile with the FMIS as at 30 June. The Total Approved Budget in the Project Header should equal this figure and be presented in AUD.</p>
	<p>Notes</p>	<p>Used to provide additional information as required (e.g. explanation of the reason for each Real Variation).</p>
<p>Project Expenditure</p>		
	<p>Prior to Jul 23</p>	<p>This item comprises all amounts incurred in all periods prior to the current reporting period (i.e. expenditure up to 30 June 2023). All expenditure is to be presented in AUD and in brackets to indicate a negative figure.</p> <p>Reporting of expenditure is to be split into the following:</p> <p>“Contract Expenditure” against each of the top 5 contracts as listed in Section 2.3 Details of Project Major Contracts, restricted to contracts valued at greater than or equal to \$10m. For large projects, it may be appropriate to include greater than the top 5 contracts. Contract expenditure should be listed from highest to lowest value. Contracts with nil value should not be disclosed.</p> <p>“Other Contract Payments/Internal Expenses” which comprises operating expenditure,</p>

Heading	Data	Information Required
		<p>contractors, consultants, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <p>It is generally expected that 'other' expenditure will not exceed 10% of total prior period expenditure. However, if 'other' expenditure exceeds this threshold, an additional explanation within the Notes section outlines the key aspects of the expenditure including amounts to bring the amount of unexplained 'other' below 10%.</p> <p>The two expenditure elements above are added to give a subtotal that is a single amount for all prior period expenditure.</p>
	FY to Jun 24	<p>This item comprises all amounts incurred in the <u>current reporting period</u> (i.e. contract level expenditure from 1 July 2023 to 30 June 2024). All expenditure is to be presented in AUD and in brackets to indicate a negative figure.</p> <p>Reporting of expenditure is to be split into the following:</p> <p>“Contract Expenditure” against each of the top 5 contracts as listed in Section 2.3 Details of Project Major Contracts, restricted to contracts valued at greater than or equal to \$10m. For large projects it may be appropriate to include greater than the top 5 contracts. Contract expenditure should be listed from highest to lowest value. Contracts with nil value should not be disclosed.</p> <p>“Other Contract Payments / Internal Expenses” which comprises operating expenditure, contractors, consultants, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <p>It is generally expected that 'other' expenditure will not exceed 10% of total expenditure in the current reporting period. However, if 'other' expenditure exceeds this threshold, an additional explanation within the Notes section outlines the key aspects of the expenditure including amounts to bring the amount of unexplained 'other' below 10%.</p> <p>The two expenditure elements above are added to give a subtotal that is a single amount for Financial Year (FY) expenditure.</p> <p>In addition, any stop payments or liquidated damages should be referred to in the Notes (disclosure of amounts is not required).</p>
	Total Expenditure	<p>This item discloses total project expenditure as at the reporting date (i.e. 30 June 2024) and is the sum of prior period and current period expenditure reported above. All expenditure is to be reported in AUD and presented in brackets to indicate a negative figure.</p>
	Remaining Budget	<p>The subtraction of total expenditure from total budget, thus showing the unspent portion of the approved budget, as at 30 June.</p>
	Notes	<p>For additional information as required (e.g. the breakdown of 'Other Contract Payments/Internal Expenses').</p>

Heading	Data	Information Required
Section 2.2A In- year Budget Estimate Variance	Estimate PBS \$m	The initial budget estimate for 2023–24, as published in the PBS.
	Estimate PAES \$m	The mid-year revised budget estimate for 2023–24, as published in the PAES. The variance, as an amount and percentage, should be calculated between the Estimate PAES and Estimate PBS.
	Estimate Final Plan \$m	The final revised budget estimate for 2023– 24. The variance, as an amount and percentage, should be calculated between the Estimate Final Plan and Estimate PAES. This amount should be equal to the 2023–24 Budget figure in the Project Header and the Estimate Final Plan in Section 2.2B In-year Budget/Expenditure Variance in AUD.
	Total Variance	Budget estimate variances, and corresponding variance percentages, are to be disaggregated and disclosed separately. The variance, as an amount and percentage, should be calculated between the Estimate Final Plan and Estimate PBS.
	Explanation of Material Movements	The explanations for the material variance/s noted above, as published in appropriate supporting documentation (e.g. the PAES).
Section 2.2B In-year Budget/ Expenditure Variance	Estimate Final Plan \$m	The estimated project expenditure for 2023–24. The data presents the project's 'Year to Date' performance in financial terms. It must explain the difference between the 'Latest Plan' in the Monthly Reporting Module (MRM) Majors Budget Performance Total report and/or the FMIS and the End of Financial Year Actual Expenditure in AUD. This amount should be equal to the 2023–24 Budget figure in the Project Header and the Estimate Final Plan in Section 2.2A In-year Budget Estimate Variance.
	Actual \$m	The actual project expenditure incurred in the current reporting period (i.e. 2023–24). This amount should be equal to the FY to Jun 24 Total Expenditure in Section 2.1 Project Budget (out-turned) and Expenditure History in AUD.
	Variance \$m	Budget expenditure variances are to be disaggregated and disclosed separately as per the variance factors described below. The sum of these should give a total variance equal to the difference between the Estimate and Actual expenditure. The variance percentage should also be calculated between the Estimate and Actual expenditure.
	Variance Factor	This section provides a range of factors attributable to the cause of the variances between the Budget Estimate and Actual expenditure. These are expressed as the standard variance factors of: <ul style="list-style-type: none"> • Australian Industry; • Foreign Industry; • Early Processes; • Defence Processes; • Foreign Government Negotiations/Payments; • Cost Saving;

Heading	Data	Information Required
		<ul style="list-style-type: none"> Effort in Support of Operations; and Additional Government Approvals.
	Explanation	<p>Explanations must address all the variance factors noted above, where relevant.</p> <p>Material changes following the publication of the PAES may require an explanation.</p> <p>This explanation should be equal to the In-year Cost Performance statement in Section 1.2.</p>
Section 2.3A Details of Project Major Contracts - Price	Contractor ¹⁴	<p>List the contractors for the top 5 contracts valued at greater than or equal to \$10m. For large projects it may be appropriate to include more than the top 5 contracts. Contractors should be listed in order of signature date (earliest to most recent).</p> <p>The top five contracts listed should be the same as the contracts listed in Section 2.1 Project Budget (out-turned) and Expenditure History.</p>
	Signature Date	The date the contract was signed.
	Price at Signature \$m and 30 Jun 24 \$m	<p><u>Signature \$m</u> The value of the contract at signature. <u>30 Jun 2024 \$m</u> The value of the contract at 30 June 2024 (i.e. value spent as per Section 2.1 Project Budget (out-turned) and Expenditure History plus remaining commitment as at the spot exchange rates as recorded in the FMIS at 30 June 2024). All values in AUD and exclusive of GST.</p>
	Type (Price Basis)	<p>Choices for this include:</p> <ul style="list-style-type: none"> Firm (or Fixed); Variable; Cost Ceiling (capped); or Reimbursement (for FMS). <p>Further information including templates is in the ASDEFCON Suite of Tendering and Contracting Templates on the Defence intranet.</p>
	Form of contract	<p>Choices for this include:</p> <ul style="list-style-type: none"> Standard Defence Contract (for ASDEFCON); FMS (for Foreign Military Sales); and MoU (for Memorandum of Understanding). <p>Note: For unique arrangements such as Alliance or Public Private Partnership that would need to be specially treated (noting the key signatories to the arrangement), projects should seek the advice of the Defence MPR team.</p>
	Notes	For additional information as required (e.g. description of new contract or explanation of significant changes in contract value from the prior year).
Section 2.3B Details of Project Major Contracts – Contracted Quantities and	Contractor	The contractors for the top 5 contracts. For large projects it may be appropriate to include more than the top 5 contracts. Contractors should be listed in order of signature date (earliest to most recent), i.e. in same order as above.

¹⁴ The definition of 'contractor' in Section 2.3 Details of Major Project Contracts, includes: contractors from direct commercial sales; and foreign government arrangements such as Memoranda of Understanding, FMS or Cooperative Programs.

Heading	Data	Information Required
Scope	Contracted Quantities as at Signature and 30 Jun 24	The quantity of major equipment under contract as at the date the contract was signed and also as at 30 June 2024. The quantity of contracted equipment should only be provided at a summary level.
	Scope	A brief description of the scope of the contract deliverables. Generally only hardware is included in this section at a platform level summary, disclosing only major prime mission and support system elements (e.g. 'Upgraded Collins Class Submarines').
	Notes	Explanation of significant changes in quantities from the prior year or other relevant information.
	Major equipment accepted and quantities to 30 Jun 24	Detail the major equipment and quantities the project has accepted to 30 June 2024.
	Notes	For additional information as required.
Section 2.4 Australian Industry Capability	Summary	If there is an AIC Plan(s) for any of the contracts disclosed in Section 2.3, a short description of the key elements of the plan is to be included. Projects are to state whether there are contracted AIC targets. Standard text: <i>[positive case]: The project has contracted AIC targets for all contractors identified in Section 2.3 (specifying if there are any exceptions); or</i> <i>[negative case]: The project has no contracted AIC targets for the contractors identified in Section 2.3.</i> Where there are no AIC Plans relevant to the contracts in Section 2.3, this should be disclosed along with the reason. Standard reasons for no AIC Plan may include: contracts with Defence pre-date the AIC program announced in 2016. Note: the disclosure of AIC target numbers or values is not required.
SECTION 3 – SCHEDULE PERFORMANCE		
Section 3.1 Design Review Progress	Review	Events in the categories shown below as they are applicable to the project: <ul style="list-style-type: none"> • System Requirements; • Preliminary Design; and • Critical Design. If any of the above events are not applicable, include information on other or alternative reviews (for instance, unique arrangements or redesigns).
	Major System/Platform Variant	The major system that the design review refers to, including significant variants for the major systems.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Contracted	Replanned dates as evidenced by a contract amendment.
	Achieved/Forecast	<u>Achieved</u> : the date the event was achieved as supported by evidence; or <u>Forecast</u> : the expected date for achievement supported by the project schedule (e.g. as recorded in Open Plan Professional (OPP)).
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.

Heading	Data	Information Required
	Notes	A top-level description of the reasons for the variance to Achieved/Forecast dates, and any additional background information as required.
Section 3.2 Contractor Test and Evaluation Progress	Test and Evaluation	Events in the categories shown below as they are applicable to the project: <ul style="list-style-type: none"> • System Integration; and • Acceptance. If any of the above events are not applicable, include information on other or alternative test and evaluation activities (for instance, unique arrangements or activities associated with redesign).
	Major System/Platform Variant	The major system that the Test and Evaluation event refers to. If there are significant variants for the major systems, they are to be stated.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Contracted	The revised planned achievement dates as evidenced by a contract amendment.
	Achieved/Forecast	<u>Achieved</u> : the date the event was achieved as supported by evidence; or <u>Forecast</u> : the expected date for achievement supported by the project schedule (e.g. as recorded in OPP).
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.
	Notes	A top level description of the reasons for the variance to Achieved/Forecast dates, and any additional background information as required.
Section 3.3 Progress Toward Materiel Release and Operational Capability Milestones	Item	Represented at a whole of capability level, unless key milestones are broken out under individual Mission or Support Systems. This could include post FOC key milestones/materiel releases.
	Original Planned	The original date on which the Materiel Release or Operational Capability milestone was scheduled for achievement.
	Achieved/Forecast	<u>Achieved</u> : the date the event was achieved as supported by evidence; or <u>Forecast</u> : the expected date for achievement supported by the project schedule (e.g. as recorded in OPP).
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.
	Notes	A top-level description of the reasons for and implications of the variance to 'Achieved/Forecast' dates. Where the project has achieved a milestone with exceptions, a brief description of the exceptions is to be included. Exceptions include 'caveats' and 'deficiencies', which are the Defence mandated terms relating to the declaration of milestones. If other terms are used, they should be explained. This should be consistent with the description in section 5.2.
Schedule Status at 30 June 2024	Graph	A visual representation of: Second Pass Approval, Initial Materiel Release (IMR), Initial Operational Capability, Final Materiel Release (FMR) and Final Operational Capability dates, both Original Planned and Achieved/Forecast.

Heading	Data	Information Required
		Note: graphs are prepared by the Defence MPR team.
SECTION 4 – MATERIEL CAPABILITY / SCOPE DELIVERY PERFORMANCE		
Section 4.1 Measures of Materiel Capability/Scope Delivery Performance	Traffic Light Diagram: Percentage Breakdown of Materiel Capability Delivery Performance	<p>This section presents a forecast of the materiel capability to be delivered by the acquisition project by FOC. Materiel capability is assessed as follows.</p> <ul style="list-style-type: none"> • Green – high level of confidence the capability outcome will be met. • Amber – capability outcome under threat but still considered manageable and able to be met. • Red – at this stage, the capability outcome is unlikely to be fully met or where a project’s materiel capability/scope is amended, and the change represents a reduction (including transfers to other Defence projects or capabilities) in materiel capability/scope. • Blue – where a project’s materiel capability/scope is amended and the change represents an increase (including transfers from other Defence projects or capabilities) of materiel capability/scope. <p>The Traffic Light Diagram and associated narratives will provide a percentage breakdown of the Measures of Effectiveness and Completion Criteria for the project, as identified in the MAA and/or government approval, at 30 June 2024. The basis for calculating the percentage breakdown should be traceable/aligned to the project’s MAA and/or government approval. The detailed breakdown may be based on cost, number of platforms, an estimate of relative system contribution or another factor relevant to capability outcomes.</p> <p>Where materiel deliverable/s is assessed as Amber or Red, the analysis/narrative should describe what deliverable/s is under threat or unlikely to be met and what action is being taken to address this. Where there is no data insert ‘N/A’.</p> <p>PDSSs in subsequent years will then record the current state as it relates to the revised materiel capability/scope. A narrative should also be included to explain the reason for the amendment.</p> <p>Detailed technical performance of systems is to be avoided, and classified information is not to be disclosed.</p> <p>Where the project has not yet achieved IMR, the statement against the Green traffic light should be expressed in the future tense: i.e. <i>“The project expects to meet capability requirements as expressed in the Materiel Acquisition Agreement...”</i>, as opposed to <i>“The project is currently meeting...”</i>.</p> <p>Note: the analysis and narrative disclosures should align with information in the MRM. Defence may need to provide alternative evidence to support disclosures which are not able to be supported by MRM.</p>
Section 4.2 Constitution of Materiel	Item	Represented at a whole of capability level, i.e. IMR, IOC, FMR and FOC.

Heading	Data	Information Required
Release and Operational Capability Milestones	Explanation	A description of the materiel release and operational capability elements as stipulated in the MAA, at 30 June 2024, including an indication of whether or not these milestones have been achieved. If the milestone has not been met, include a statement to indicate when the milestone is expected to be achieved. The milestones to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> • Initial Materiel Release • Initial Operational Capability • Final Materiel Release • Final Operational Capability. If some or all of the above events are not applicable, other or alternative milestones, for instance operational release milestones, should be included. Note: Where the project has achieved a milestone with caveats or other limitations, a brief description of the caveats/limitations should be added. This should be consistent with the description in Section 5.2.
	Achievement	Insert standard text, i.e.: Achieved; Not yet achieved; or Achieved with caveats.
SECTION 5 – MAJOR RISKS AND ISSUES		
Section 5.1 Major Project Risks	Identified Risks – risks identified using standard project risk management categories, including: <ul style="list-style-type: none"> • Capability • Schedule • Cost • Commercial 	<u>Ref:</u> Reference number in the PDSS (not the project Risk ID number). <u>Description:</u> a major project risk is one that is rated high or very high pre-mitigation in accordance with Defence's risk management framework. <u>Remedial Action:</u> the risk mitigation/treatment proposed for the risk identified (these must be actionable measures). <u>Note 1:</u> if the risk has been retired or the pre-mitigation rating has been downgraded to medium, this should be documented along with the reason; the risk can then be removed in the subsequent MPR. <u>Note 2:</u> all high and very high risks require disclosure. The disclosures may be aggregated to include multiple risks against one common description. Mapping of all risks from project risk logs to the PDSS is also required. <u>Note 3:</u> where contingency has been applied to treat a risk, the wording should be consistent with Section 1.2 Current Status - Cost Performance - Contingency Statement. <u>Note 4:</u> where an identified risk has been realised as an issue and could be listed in both Sections 5.1 and 5.2, it may only be listed in Section 5.2 with the supporting note: "This was a risk that has now been realised." In this specific circumstance, the guidance in Section 5.1 – Identified Risks, Note 1, is superseded. This will allow for the realised identified risk to be managed as an issue.
Section 5.2 Emergent Risks	Emergent Risks (risks not previously	<u>Ref:</u> Reference number in the PDSS (not the project Risk ID number).

Heading	Data	Information Required
	identified but have emerged during 2023–24)	<p><u>Description:</u> a major project risk that was not previously identified in the risk log but has emerged this year, rated as high or very high pre-mitigation. This includes project risks previously rated medium or low pre- mitigation.</p> <p><u>Remedial Action:</u> the risk mitigation/treatment proposed for the identified risk (these must be actionable measures). The risk becomes an Identified Risk in the subsequent MPR.</p> <p><u>Note 1:</u> all high and very high emergent risks require disclosure. The disclosures may be aggregated to include multiple risks against one common description. In addition, a mapping of all emergent risks from project risk logs to the PDSS is required.</p> <p><u>Note 2:</u> where contingency has been applied to treat a risk, the wording should be consistent with Section 1.2 Current Status - Cost Performance - Contingency Statement.</p>
Section 5.3 Major Project Issues	<p>Description – issues identified using standard project risk management categories, including:</p> <ul style="list-style-type: none"> • Capability • Schedule • Cost • Commercial 	<p><u>Ref:</u> Reference number in the PDSS (not the project Risk ID number).</p> <p><u>Description:</u> issues are high or very high risks that have been realised or issues that have arisen that require management action to address.</p> <p><u>Note 1:</u> all high and very high issues require disclosure. Mapping of all issues from project issues logs to the PDSS is also required.</p> <p><u>Note 2:</u> where the project has achieved a milestone with exceptions, these should be disclosed as separate issues. On removal of the exception, it should also be clear to the reader whether the underlying shortfall/issue has been resolved. (See also Section 1.3 Major Risks and Issues, Section 3.3, and Section 4.2).</p> <p><u>Note 3:</u> where contingency has been applied to treat an issue, the wording should be consistent with Section 1.2 Current Status - Cost Performance - Contingency Statement.</p>
	Remedial Action	The remediation action proposed for the issue identified. If the issue has been resolved or downgraded to medium, this should be documented along with the reason; the issue can then be removed in the subsequent MPR.
SECTION 6 – LESSONS LEARNED		
Section 6.1 Key Lessons Learned	Description	<p>Describe the project lesson (at the strategic level) that has been learned. Projects are to state whether ‘Systemic Lessons’ have been identified.</p> <p>Standard text for the negative: <i>The project did not identify or submit any lessons for inclusion as strategic level “lessons learned”.</i></p>
	Categories of Systemic Lessons	<p>Select from the following ‘Systemic Lessons’ categories where they are applicable to the project:</p> <ul style="list-style-type: none"> • Program, Project & Product Management • Commercial Management • Engineering & Technical • Materiel Logistics • Decision Support

Heading	Data	Information Required
		<ul style="list-style-type: none"> Corporate Performance.
SECTION 7 – PROJECT STRUCTURE		
Section 7.1 Project Structure as at 30 June 2024	Name of the relevant organisational location within CASG/NSSG	The name of the CASG/NSSG Division and Branch that the project sat in at 30 June 2024.

Project Data Summary Sheet Template¹⁵

Project Number	XXX XXX	Project Image. (Minimum 1600px long edge)
Project Name	XXX XXX	
First Year Reported in the MPR	20XX-XX	
Capability Type	Choose Capability Type	
Capability Manager	Choose a CM.XXX	
Government 1st Pass Approval	Dec 22	
Government 2nd Pass Approval/ or key Government pre-Second Pass Approval (specify one)	2nd Pass mmm yy	
Budget at 2nd Pass Approval/or key Government pre-Second Pass Approval (specify one)	\$XXX.Xm	
Total Approved Budget (Current)	\$XXX.Xm	
2023-24 Budget	\$XXX.Xm	
Complexity	ACAT I	

Section 1 – Project Summary

1.1 Project Description

1.2 Current Status

<p>Cost Performance <u>In-year</u></p> <p><u>Project Financial Assurance Statement</u></p> <p><u>Contingency Statement</u></p>
<p>Schedule Performance</p>
<p>Materiel Capability/Scope Delivery Performance</p>
<p><u>Note</u></p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p><u>Background</u></p>

¹⁵ Notice to reader

Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the Independent Assurance Report by the Auditor-General in Part 3 of this report.

<u>Uniqueness</u>
<u>Major Risks and Issues</u>
<u>Other Current Related Projects/Phases</u>
Note
Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
mmm YY	Project Budget: Choose an item.	XXX.X	X
	Real Variation – Scope	XXX.X	
	Real Variation – Transfer	XXX.X	
	Total at Second Pass Approval /or key Government pre-Second Pass Approval (specify one)	XXX.X	
	Real Variation – Budgetary Adjustment	XXX.X	
	Real Variation – Real Cost Increase / Decrease	XXX.X	
		XXX.X	
Jul 10	Price Indexation*	XXX.X	
Jun 24	Exchange Variation	XXX.X	
Jun 24	Total Budget	XXX.X	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – Contractor 1	XXX.X	X
	Contract Expenditure – Contractor 2	XXX.X	
	Contract Expenditure – Contractor 3	XXX.X	
	Contract Expenditure – Contractor 4	XXX.X	
	Contract Expenditure – Contractor 5	XXX.X	
	Other Contract Payments / Internal Expenses	XXX.X	
		XXX.X	
FY to Jun 24	Contract Expenditure – Contractor 1	XXX.X	
	Contract Expenditure – Contractor 2	XXX.X	
	Contract Expenditure – Contractor 3	XXX.X	
	Contract Expenditure – Contractor 4	XXX.X	
	Contract Expenditure – Contractor 5	XXX.X	
	Other Contract Payments / Internal Expenses	XXX.X	
		XXX.X	
Jun 24	Total Expenditure	XXX.X	
Jun 24	Remaining Budget	XXX.X	X
	Notes		

1	XXX
2	XXX
3	XXX
4	XXX

*Note – Those projects approved in 'out-turned' dollars will not contain an entry for 'Price Indexation'. In these instances this line can be removed.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
XXX.X	XXX.X	XXX.X	
Variance \$m	XXX.X	XXX.X	Total Variance (\$m): XXX
Variance %	XXX.X	XXX.X	Total Variance (%): XXX

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		XXX.X	Australian Industry	
		XXX.X	Foreign Industry	
		XXX.X	Early Processes	
		XXX.X	Defence Processes	
		XXX.X	Foreign Government Negotiations/Payments	
		XXX.X	Cost Saving	
		XXX.X	Effort in Support of Operations	
		XXX.X	Additional Government Approvals	
		XXX.X	XXX.X	
		XXX.X	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
Contractor 1	XXX	XXX.X	XXX.X	Choose an item.	Choose an item.	X
Contractor 2	XXX	XXX.X	XXX.X	Choose an item.	Choose an item.	X
Contractor 3	XXX	XXX.X	XXX.X	Choose an item.	Choose an item.	X
Contractor 4	XXX	XXX.X	XXX.X	Choose an item.	Choose an item.	X
Contractor 5	XXX	XXX.X	XXX.X	Choose an item.	Choose an item.	X
Notes						
1	XXX					

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Contractor 1	XXX	XXX	XXX	X
Contractor 2	XXX	XXX	XXX	X
Contractor 3	XXX	XXX	XXX	X
Contractor 4	XXX	XXX	XXX	X
Contractor 5	XXX	XXX	XXX	X
Major equipment accepted and quantities to 30 Jun 24				
XXX				
Notes				
1	XXX			

2.4 Australian Industry Capability

Summary
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
Preliminary Design	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
Critical Design	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
Notes						
1	XXX					
2						
3						
4						

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
Acceptance	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
	XXX	mmm yy	XXX	XXX	XXX	X
Notes						
1	XXX					
2						
3						
4						

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	mmm yy	XXX	XXX	X
Initial Operational Capability (IOC)	mmm yy	XXX	XXX	X
Final Materiel Release (FMR)	mmm yy	XXX	XXX	X
Final Operational Capability (FOC)	mmm yy	XXX	XXX	X
Notes				
1	XXX			
2				
3				
4				

Schedule Status at 30 June 2024
Defence MPR Team to insert graph

Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
Defence MPR Team to insert Traffic Light Diagram	Green: XXX
	Amber: XXX
	Red: XXX
	Blue: XXX
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	XXX	Choose Achievement.
Initial Operational Capability (IOC)	XXX	Choose Achievement.
Final Materiel Release (FMR)	XXX	Choose Achievement.
Final Operational Capability (FOC)	XXX	Choose Achievement.

Section 5 Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	XXX	XXX
2	XXX	XXX
3	XXX	XXX
4	XXX	XXX

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	XXX	XXX
2	XXX	XXX
3	XXX	XXX
4	XXX	XXX

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	XXX	XXX
2	XXX	XXX
3	XXX	XXX
4	XXX	XXX

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
XXX	Lessons Categories
XXX	Lessons Categories
XXX	Lessons Categories
XXX	Lessons Categories

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	XXX
Branch	XXX

Indicative 2023–24 MPR Program Schedule

Event	Start Date	End Date
Planning for 2023–24 MPR (including review of outcomes of the 2022–23 program)	Oct 23	Jan 24
Defence and ANAO finalise preparations for 2023–24 MPR program in time for JCPAA Hearing	Jan 24	Mar 24
ANAO provides Engagement Letter and Review Strategy to Secretary of Defence ¹⁶	Feb 24	Jun 24
Defence Corporate meetings with ANAO	Feb 24	Mar 24
Defence MPR team provides program advice to project offices	Feb 24	Feb 24
Defence MPR management finalises preparation with project offices	Feb 24	Feb 24
Project site visits conducted by the ANAO	Mar 24	Jun 24
End Of Financial Year data provided to project offices	Jul 24	Jul 24
Post 30 June PDSS reviews	Jul 24	Oct 24
ANAO submits 2024–25 MPR Guidelines and Project Selection to JCPAA	Aug 24	Aug 24
Development of the Defence 2023–24 MPR	Aug 24	Oct 24
ANAO prepares its Assurance, Review and Analysis, which is provided to Defence Secretary	Aug 24	Oct 24
Defence provides advice to the ANAO regarding the security classification of the aggregated PDSS suite	Oct 24	Oct 24
Defence Secretary submits formal draft Defence section of the 2023–24 MPR to the Auditor-General	Oct 24	Oct 24
Defence provides the Auditor-General with a response to the ANAO Assurance, Review and Analysis sections	Oct 24	Oct 24
ANAO provides Defence with a response to the Defence 2023–24 MPR sections	Oct 24	Oct 24
ANAO internal clearance of the 2023–24 MPR, followed by tabling in Parliament	Nov 2024	

¹⁶ Timing may depend on JCPAA hearing schedule, to ensure key priorities of the JCPAA are considered.