

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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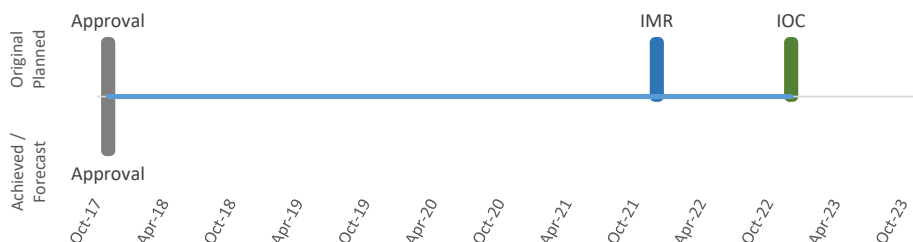
3.3 Progress Toward Materiel Release and Operational Capability Milestones

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.

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>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>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>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