

## Project Data Summary Sheet<sup>1</sup>

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

#### 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.

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.
<b>Major Risks and Issues</b> 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"> <li>• Ship design maturity.</li> <li>• Combat System Integration.</li> <li>• Operating capability delivered to Navy.</li> <li>• Navy workforce.</li> </ul>
<b>Other Current Related Projects/Phases</b> Not applicable
<b>Note</b> Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

## Section 2 – Financial Performance<sup>2</sup>

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

Date	Description	\$m	Notes
	<b>Project Budget</b>		
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
	<b>Total at Second Pass Approval</b>	<b>25,845.5</b>	
Jun 24	Exchange Variation	78.4	
Jun 24	<b>Total Budget</b>	<b>25,924.0</b>	
	<b>Project Expenditure</b>		
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	<b>Total Expenditure</b>	<b>(3,637.9)</b>	
Jun 24	<b>Remaining Budget</b>	<b>22,286.1</b>	

#### 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"> <li>Project and Commercial Support (\$279.4m) which includes Deloitte Touche Tohmatsu LLC (\$40.5m), Odense Maritime Technology A/S (\$12.9m).</li> <li>Technical Support (\$237.2m) which includes Raytheon Australia Pty Ltd (\$40.1m) and SAAB Australia Pty Ltd 1 (\$34.9m).</li> <li>Competitive Evaluation Process Participants (\$122.5m) which includes BAE Systems Australia Ltd (\$56.6m) and Fincantieri S.P.A (\$29.7m).</li> </ul>
9	Other contract payments include: <ul style="list-style-type: none"> <li>Project and Commercial Support (\$78.4m); which includes Deloitte Touche Tohmatsu LLC (\$3.7m) and QinetiQ Pty Ltd (\$2.2m).</li> <li>Technical Support (\$27.4m) which includes; Downer Defence Services (\$8.1m) and Gibbs &amp; Cox Australia Pty Ltd (\$5.8m).</li> </ul>
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	<b>Total Variance</b>	
		0.5	<b>% Variance</b>	

#### 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
<b>Notes</b>						
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				
<b>Notes</b>				
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.
<b>Note</b>
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
<b>Notes</b>						
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

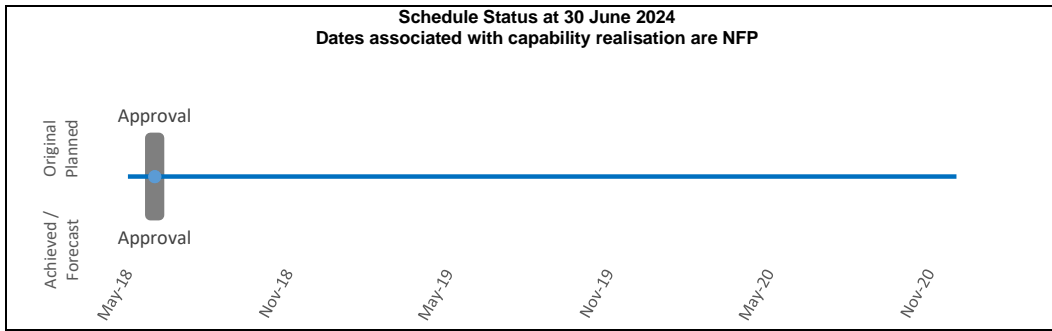
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One construction commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	NFP	NFP	NFP	NFP	3
<b>Notes</b>						
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
<b>Notes</b>				
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	
<b>Not Applicable</b>	<b>Green:</b> 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.
<b>Not Applicable</b>	<b>Amber:</b> 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.
<b>Not Applicable</b>	<b>Red:</b> 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.
<b>Note</b> 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
<b>Notes</b>		
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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