

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

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.

<b>Note</b>
Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

### 1.3 Project Context

<p><b>Background</b></p> <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>
<p><b>Uniqueness</b></p> <p>The AH-64E Apache will build on the attack aviation capabilities being provided by the ARH Tiger.</p>
<p><b>Major Risks and Issues</b></p> <p>The project currently has one high rated (Emergent) risk.</p> <ul style="list-style-type: none"> <li>Disrupted Fundamental Inputs to Capability (FIC) for Apache Capability.</li> </ul> <p>The project is not currently tracking any major issues.</p>
<p><b>Other Current Related Projects/Phases</b></p> <p><b>ESTL 4503 Phase 1 Armed Reconnaissance Helicopter (ARH) Replacement</b> 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><b>LAND 17 Phase 2 - Digital Terminal Control System (DTCS)</b> 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><b>LAND 4507 Phase 1 - UH-60M Black Hawk Utility Helicopter</b> 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><b>LAND 4502 Phase 1 and 2- CH-47F Helicopter Program</b> 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><b>LAND 129 Phase 3 - Tactical Uncrewed Aerial System</b> 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>
<p><b>Note</b></p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

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

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

Date	Description	\$m	Notes
<b>Project Budget</b>			
Dec 20	Original Approval (Government First Pass Approval)	22.0	1
Mar 22	Government Second Pass Approval	3,853.0	
	<b>Total at Second Pass Approval</b>	<b>3,875.0</b>	
Jun 24	Exchange Variation	685.4	
Jun 24	<b>Total Budget</b>	<b>4,560.4</b>	
<b>Project Expenditure</b>			
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	<b>Total Expenditure</b>	<b>(348.9)</b>	
Jun 24	<b>Remaining Budget</b>	<b>4,211.5</b>	
<b>Notes</b>			
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	<b>(94.3)</b>	<b>Total Variance</b>	
		<b>(58.9)</b>	<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			
FMS Case – AT-B-ULV	Apr 2022	3,363.7	3,966.5	Reimbursement (for FMS)	FMS	1
<b>Notes</b>						
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.	-
<b>Major equipment accepted and quantities to 30 Jun 24</b>				
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
<b>Note</b>						
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	-
<b>Note</b>						
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.					


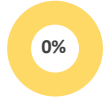

### 3.3 Progress Towards Materiel Release and Operational Capability Milestones

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
<b>Notes</b>				
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><b>Schedule Status at 30 June 2024</b>  <b>Dates associated with capability realisation are NFP</b></p>				

<b>Note</b>
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><b>Green:</b> 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.</p>
 <p>0%</p>	<p><b>Amber:</b> N/A</p>
 <p>0%</p>	<p><b>Red:</b> 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)	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

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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