

Project Data Summary Sheet¹

Project Number	AIR5431 Phase 3
Project Name	CIVIL MILITARY AIR TRAFFIC MANAGEMENT SYSTEM (CMATS)
First Year Reported	2016-17
Capability Type	Replacement
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Nov 11
Government 2nd Pass Approval	Dec 14
Budget at 2nd Pass Approval	\$731.4m
Total Approved Budget (Current)	\$1,010.0m
2023–24 Budget	\$36.9m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

AIR5431 Phase 3 will replace the current Australian Defence Air Traffic System (ADATS) at 12 fixed base Defence locations. The Defence component of the joint project includes; eight Civil Military Air Traffic Management System (CMATS) sites and four Airservices Defence OneSKY Tower (ADOT) sites, an ab-initio training simulator at the Royal Australian Air Force (RAAF) School of Air Traffic Control (SATC) and an Operational Maintenance Trainer at RAAF Amberley, delivered through an On Supply Agreement (OSA) contract between AIR5431 Phase 3 and the Airservices Australia Pty Ltd, also referred to as the OneSKY Program.

To meet the OSA obligation, and in addition to providing direct services using internal work packages, Airservices Australia Pty Ltd holds the contracts with Thales Australia Ltd as prime contractor for the CMATS deliveries, and with Saab Inc. (US) and Frequentis Australasia Pty Ltd for the mission systems required for the ADOT solution.

In addition to the deliverables under the OSA with Airservices Australia Pty Ltd, AIR5431 Phase 3 will also deliver radio transition and business continuity projects, as well as the management of site works and the provision of Customer Furnished Services (CFS).

1.2 Current Status

Cost Performance

In-year

As at 30 June 2024 Financial Year (FY) 2023-24 expenditure was \$31.0m against the FY 2023-24 budget of \$36.9m. The variation is due to a combination of:

- Re-phasing of the Air Ground Air (AGA) Remote Radio scope from May 2024 to October 2024 as a result of prioritising Site Acceptance milestones for the AGA Transition (AGAT) Solution.
- Delay in establishing the Air Traffic Management Capability Assurance Program (ATM CAP) Contract Change Proposal (CCP) with Raytheon Australia Pty Ltd for Tranche 1 of the activity.
- Reduced achievement against the contracted workforce budget due to a reduction in Major Service Provider resources.
- Less than anticipated operating expenses due to lower project management and Air Force operating costs.

Project Financial Assurance Statement

As at 30 June 2024, AIR5431 Phase 3 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, that there is insufficient budget remaining including contingency, for the project to complete, taking into account changes that resulted from the implementation of the Project of Concern (POC) remediation plan.

Contingency Statement

The project has applied contingency in the financial year for the purpose of establishing and progressing the ATM CAP, being delivered by Surveillance and Control System Program Office (S&C SPO) under existing support arrangements with Raytheon Australia Pty Ltd for the ADATS.

Schedule Performance

Following the March 2023 POC Summit, Defence and Airservices Australia Pty Ltd (the Customer) and Thales Australia Ltd worked to implement the agreed POC remediation plan for the project. The cornerstone for the remediation plan focused on a revised deployment strategy to deliver an integrated CMATS common product, verified against the Release One (R1) software baseline deployed to Civil sites first, followed by Defence sites.

Notice to reader

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

This revised strategy simplified software development, test and deployment, mitigated some of the challenges encountered by Thales Australia Ltd's resourcing of concurrent development activities, and culminated in a nil-cost CCP to the Contract (Acquisition). This CCP and the Deed of Settlement was executed on 20 December 2023.

Remediation of the CMATS Contract Master Schedule (CMS) occurred over progressive schedule releases from Thales Australia Ltd. CMS v.4 delivered 30 July 2023 resulted in a recommendation from the independent assurer to close the Integrated Baseline Review corrective actions, sighting improved schedule management.

The POC remediation plan included an action to develop an agreed and executable Integrated Master Schedule (IMS) to better facilitate program level management. The first cycle of IMS reporting occurred May 2024, with ongoing bi-monthly reports produced thereafter.

The ADOT Project is progressing, with System Acceptances for RAAF Base Edinburgh, Army Aviation Centre Oakey, RAAF Base Richmond and RAAF Base Gingin planned to occur from FY 2026-27.

The AGAT Solution being delivered by BAE Systems Australia Pty Ltd is progressing in accordance with the schedule with nine out of 12 sites having achieved Acceptance, and all sites scheduled to be completed by Quarter 4 2024; ahead of the deployment of CMATS and ADOT to sites.

Implementation of the revised CMATS deployment strategy has impacted Government approved Initial Operating Capability (IOC) and Final Operating Capability (FOC) dates. Government endorsement will be sought no earlier than Quarter 4, 2024 and following evidence of Thales Australia Ltd's performance against the revised delivery plan.

Material Capability/Scope Delivery Performance

The project has not delivered any material capability to date through the OSA. Related Material Capability being managed by the project and S&C SPO outside the OSA including:

- AGAT solution delivered by BAE Systems Australia Pty Ltd (hardware installed at nine sites but cannot be commissioned /activated until the CMATS systems are installed).
- An ADATS Life-of-Type Extension (LOTE) was delivered by S&C SPO under existing support arrangements with Raytheon Australia Pty Ltd to mitigate realised schedule delays with CMATS and ADOT. Additional project contingency funding was released in FY 2022-23 to establish a holistic ATM CAP managed by S&C SPO, to assure the entire ADATS air traffic system and voice communications switch capability until CMATS and ADOT are accepted into operational service.
- Defence site preparation and support, to support the design requirements of the contractor.

Recognising the lack of capability delivered to date against the original agreed OSA, and more broadly the CMATS Contract (Acquisition), Defence and Airservices Australia Pty Ltd agreed to revise the OSA payment schedule to more appropriately link payments under the OSA to delivery of capability to Defence, and furthermore align the OSA with the nil-cost changes to the Price and Payment schedule of the Contract (Acquisition) negotiated as part of the POC remediation plan.

Note

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

1.3 Project Context

Background

Defence and Airservices Australia Pty Ltd sought in 2011 to replace their legacy Air Traffic Control (ATC) systems through the acquisition of a harmonised Australian CMATS that will deliver improvements in safety, efficiency, flexibility, economy and business continuity. A joint solicitation was conducted in June 2013.

AIR5431 Phase 3 received Government Second Pass approval in December 2014 on the basis of tendered agnostic capability, schedule and cost data provisioned by Airservices Australia Pty Ltd in the form of a not-to-exceed price for the Defence contribution for the common and Defence unique elements delivered under the OSA.

On 18 August 2017, due to concerns over an inability to finalise negotiations within acceptable cost and schedule parameters, AIR5431 Phase 3 was listed as a POC.

In February 2018, AIR5431 Phase 3 was granted a Real Cost Increase (RCI) of \$243.0m (including contingency) to cover Defence's contribution for the agreed collaboration options, a transition radio solution AGAT, and ADATS LOTE and facilities preparation costs related to CMATS installation. This RCI allowed Defence to agree to a fixed price contribution for the Defence deliveries under the OSA, which allowed Airservices Australia Pty Ltd to sign contracts with Thales Australia Ltd, and other contractors subsequently, for the joint supplies.

AIR5431 Phase 3 was removed from the POC list on 8 May 2018 as a result of the contract with Airservices Australia Pty Ltd being established, but remained as a Project of Interest with bi-annual updates to Government.

On the 27 October 2022, the Minister for Defence Industry declared AIR5431 Phase 3 would be relisted as a POC due to ongoing cost, schedule and technical challenges with the CMATS aspects of the program. The Minister of Defence Industry has facilitated POC summits on 2 December 2022, 31 March 2023, 19 September 2023 and 8 December 2023 between Thales Australia Ltd, Airservices Australia Pty Ltd and Defence.

The POC summits have facilitated a remediation plan that focussed on stabilising project requirements, establishment of a credible and reliable schedule, an improved governance framework and a revised payment regime for delivery of the project.

Key to the remediation effort was Customer commitment to the Thales Australia Ltd's proposed alternative CMATS deployment strategy, that introduced a single integrated CMATS product line (as opposed to two), verified against the R1 baseline for deployment. The plan recommended other program efficiencies such as deployment to Civil sites first followed by Defence sites, and early de-risking and demonstrations to be completed at RAAF Base East Sale.

The December 2023 POC summit agreed the POC exit criteria and confirmed that all remediation activities to enable execution of the CCP to implement the revised CMATS deployment strategy had been achieved.

A payment pause of OSA payments to Airservices Australia Pty Ltd that took effect in March 2023 to align with Airservices Australia

Pty Ltd suspension of payments to Thales Australia Ltd until the agreed Cost Checkpoint Milestone was achieved. The suspension of payments to Thales Australia Ltd was lifted at execution of the Deed of Settlement, and Defence recommended payments to Airservices Australia Pty Ltd in April 2024, following execution of Variation 9 to the OSA in March 2024.
<p>Uniqueness</p> <p>AIR5431 Phase 3 represents the first time that a Defence project is contributing to a major national infrastructure project. The December 2009 National Aviation White Paper identified the need to implement a harmonised national civil and military ATM system. The activities identified in the National Aviation White Paper for the implementation of a comprehensive, collaborative approach to nation-wide ATM included the procurement of a single solution ATM platform between Civil and Military agencies.</p> <p>At the time of decision to enter into the joint project arrangement, there was no history of a similar governance structure in operation that aligned with the scope of this project. As a consequence, Airservices Australia Pty Ltd and Defence have established and continued to refine the joint delivery structure without the benefit of adapting from proven existing models.</p>
<p>Major Risks and Issues</p> <p>Airservices Australia Pty Ltd and Defence manage risks separately in accordance with their respective risk management frameworks. The CMATS and ADOT joint program risk register is maintained by Airservices Australia Pty Ltd and considers risks that collectively impact Defence and Airservices Australia Pty Ltd. AIR5431 Phase 3 operates a risk register for Defence specific /unique risks and issues. All major risks that have an impact on AIR5431 Phase 3 delivery have been recorded, regardless of where they are managed.</p> <p>During the reporting period, the risks identified for AIR5431 Phase 3, the CMATS joint program and ADOT continue to relate to the categories of contractor performance, schedule, workforce, customer furnished (materials, supplies, services, data), and program delivery, as follows:</p> <ul style="list-style-type: none"> Contractor performance covering system design processes and engineering approaches, sufficiency of technical documentation and evidence to satisfy compliance, integration with customer interfaces and services, and resource capacity to deliver the capability. Scheduling and management of activities and dependencies in a credible IMS to enable the management of resources, obligations, critical path priorities and constraints. Resourcing/ workforce sufficiency and suitability across the OneSKY program, including adequate support to key activities and milestones. Customer Furnished Materials, Supplies and Services including provision, delivery, non-compliance, delays to, deficiencies in, or unavailability of Defence third-party systems, infrastructure and networks. Program delivery risks associated with the fulfilment of obligations established under the OSA for the delivery of the CMATS and ADOT capabilities to Defence, management of project scope, integration and governance, and appropriate engagement and preparation of the workforce for transition. <p>Overall decrease in risk since the previous report is due to the completion of the POC remediation plan actions that resulted in the resolution of a number of contractor performance, governance, schedule and project delivery issues, settled via the changes to the Contract (Acquisition) and Deed of Settlement. Some of the Defence obligations have reduced, in part, due to their relationship to milestones in the Thales Australia Ltd schedule, resulting from delivery to Defence sites to now follow Civil sites.</p> <p>The key issues impacting Defence and requiring active management include:</p> <ul style="list-style-type: none"> Fitness for purpose of the OSA to manage the on-supply of sustainment services from Airservices Australia Pty Ltd. The current approved AIR5431 Phase 3 acquisition project budget and remaining contingency provision, is insufficient to complete the Project. Water ingress at the technical equipment room at East Sale has resulted in remediation work to ensure safety, operational compliance and warranty of the installed system.
<p>Other Current Related Projects/Phases</p> <p>AIR5431 Phase 1 - Deployable Defence ATM Capability will introduce Deployable ATM command and control systems into the Australian Defence Force inventory. This phase has no impact on the ability of AIR5431 Phase 3 to deliver its outcomes.</p> <p>AIR5431 Phase 2 - Fixed Defence ATC Surveillance System will replace the existing fixed base Defence ATC surveillance radars. AIR5431 Phase 3 is highly reliant on AIR5431 Phase 2 to deliver ATC surveillance data at some sites, prior to the commissioning of those sites.</p>
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 14	Original Approved (Government Second Pass Approval)	731.4	1
	Total at Second Pass Approval	731.4	
Dec 17	Real Variation – Budgetary Adjustment	(6.8)	2
Feb 18	Real Variation – Real Cost Increase	247.5	3
Nov 21	Real Variation – Transfer	1.7	4

Notice to reader

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

Dec 21	Real Variation – Transfer	15.5	4
Feb 22	Real Variation – Transfer	17.6	4
Mar 23	Real Variation – Transfer	(0.6)	5
Jun 24	Exchange Variation	4.1	
Jun 24	Total Budget	1,010.0	6
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Airservices Australia Pty Ltd	(418.1)	
	Contract Expenditure – Jacobs Australia Pty Ltd – Integrated Work Package (IWP)	(82.9)	
	Contract Expenditure – BAE Systems Australia Pty Ltd	(55.9)	
	Other Contract Payments / Internal Expenses	(54.3)	7
		(611.2)	
FY to Jun 24	Contract Expenditure – Jacobs Australia Pty Ltd – IWP	(15.6)	
	Contract Expenditure – BAE Systems Australia Pty Ltd	(7.5)	
	Contract Expenditure – Airservices Australia Pty Ltd	(-)	8, 9
	Other Contract Payments / Internal Expenses	(7.9)	10
		(31.0)	
Jun 24	Total Expenditure	(642.2)	
Jun 24	Remaining Budget	(367.8)	
Notes			
1	In addition to direct project costs, Defence received approximately \$175.0m for Major Capital Facility costs and enabling Information and Communications Technology (ICT) costs.		
2	This variation is due to administrative decisions to temporarily harvest funds from the project. These funds were returned to the project as part of the RCI approved in February 2018. These funds were part of the original Second Pass approval budget.		
3	An RCI of \$249.7m was approved by Government in February 2018 to cover additional costs related to the acquisition. This includes \$2.2m for Air Force to relocate the current Tindal Australian Military Airspace Control Communications System (AMACCS) ATC radio equipment site, leaving \$247.5m for Capability Acquisition and Sustainment Group (CASG) related costs (additional CMATS costs, AGAT radio solution, ADATS LOTE and facilities preparation costs related to CMATS installation). This figure includes the \$6.8m returned to the project to correct the budgetary adjustment which occurred in December 2017. Given this, the total approved RCI above Second Pass approval is \$242.9m including the \$2.2m for Air Force.		
4	Air Force Group Project Budget transferred to CASG as part of FY 2021-22 Additional Estimates for financial management purposes. Subsequent transfers include an adjustment for FY 2020-21 underspend and a transfer from Security and Estate Group (SEG) to Air Force Group for funding related to existing tower demolition.		
5	Air Force Group Project Budget (part of CASG budget) transferred to SEG for funding related to ATC Communications Facilities Study.		
6	The total budget includes planned expenditure for the AGAT solution, ADATS LOTE, Defence site preparation and support, and ATM CAP. These procurements have been incorporated into Section 2.3 as each agreement was reached. ATM CAP is being managed by S&C SPO, under existing support arrangements with Raytheon Australia Pty Ltd.		
7	Other Contract Payments Prior to July 2023 include expenditure on site preparation, ATC automation system Autotrac II update procurement, and project management costs such as travel, training, project specific ICT expenses, and external legal services.		
8	Payment pause of OSA payments to Airservices Australia Pty Ltd took effect March 2023, to align with Airservices Australia Pty Ltd suspension of payments to Thales Australia Ltd. Airservices Australia Pty Ltd recommenced payments to Thales Australia Ltd upon execution of the Deed of Settlement. Defence recommenced payments to Airservices Australia Pty Ltd following execution of Variation 09 of the OSA on 1 March 2024, with these payments treated as pre-payments towards the delivery of Defence CMATS and ADOT capability.		
9	The Project changed its accounting treatment of OSA payments to more realistically reflect accrual of capability delivery to Defence. The approach treats OSA payments that contribute to the payment of Thales Australia Ltd's actual costs, as pre-payments until a milestone is achieved in later financial years at which point, expenditure is realised.		
10	Other Contract Payments in FY to June 2024 include expenditure on the ATM CAP (\$4.8m), site preparation (\$2.6m), external legal services (\$0.3m), project management costs such as travel (\$0.2m) and project specific training and ICT expenses (\$0.03m).		

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2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
110.7	58.1	36.9	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES)</u> : Variation is primarily due to a payment pause of OSA payments to Aircservices Australia Pty Ltd early 2023. <u>PAES to Final Plan</u> : Variation is primarily due to a change in accounting treatment for remaining OSA payments, and delays to establishing ATM CAP due to contractor capacity and timing of Defence decision making.
Variance \$m	(52.6)	(21.2)	Total Variance (\$m): (73.8)
Variance %	(47.5)	(36.5)	Total Variance (%): (66.7)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(4.1)	Australian Industry	The variation is due to: <ul style="list-style-type: none"> Re-phasing of the AGA Remote Radio scope from May 2024 to October 2024 as a result of prioritising Site Acceptance milestones for the AGAT Solution. Delay in establishing the ATM CAP CCP with Raytheon for Tranche 1 of the activity. Reduced achievement against the contracted workforce budget due to a reduction in Major Service Provider resources. Less than anticipated operating expenses due to lower project management and Air Force operating costs.
		-	Foreign Industry	
		-	Early Processes	
		(1.8)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
			Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
36.9	31.0	(5.9)	Total Variance	
		(16.0)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 June 24 \$m			
Jacobs Australia Pty Ltd – Integrated Support Contract (ISC)	Dec 14	107.7	27.0	Variable	Modified Standard Defence Contract	1, 2
Aircservices Australia Pty Ltd	Feb 18	521.0	560.8	Firm or Fixed	On Supply Agreement	1, 3
Jacobs Australia Pty Ltd – IWP	Dec 18	47.0	87.1	Variable	Integrated Work Package	1, 4
BAE Systems Australia Pty Ltd – AGA Transition System	Nov 19	67.4	70.6	Firm or Fixed	Support Contract Survey & Quote	1
Notes						
1	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current budgeted exchange rates, and includes adjustments for indexation (where applicable).					
2	The Jacobs Australia Pty Ltd - ISC contract was closed following the transition to a Branch wide Jacobs Australia Pty Ltd -IWP contract.					
3	CMATS will be procured via the contracts (Acquisition) and (Support) between Aircservices Australia Pty Ltd and Thales Australia Ltd. Aircservices Australia Pty Ltd manages both contracts with Thales Australia Ltd on behalf of Defence through the OSA. Due to exchange rate variance, the addition of Defence approved scope and the inclusion of contract (Support), the price of the OSA will increase over time.					
4	The project workforce structure is based on the CASG First Principles Review with 80% of project staff delivered under the IWP contract. Contract value is the estimated project share of the Branch IWP contract and is based on the current Purchase Order commitment and an estimate of project expenditure for work packages to the end of June 2024. The project obtained approved contingency to extend the Major Service Provider (MSP) workforce, however this provision has not yet been applied.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
Jacobs Australia Pty Ltd – ISC	N/A	N/A	Service based integrated support.	1
Aircservices Australia Pty Ltd	N/A	N/A	Through the OSA Aircservices Australia Pty Ltd will deliver: CMATS combined control tower and approach centres at Amberley (including Oakey)	2

			approach), East Sale, Williamtown, Tindal and Nowra; consolidated Darwin and Townsville approach services at Airservices Australia Pty Ltd Brisbane approach centre; CMATS control tower systems at Darwin, Townsville and Pearce; ADOT systems at Richmond, Oakey, Edinburgh and Gingin; a simulator system at SATC and an Operational Maintenance Trainer at Amberley.	
Jacobs Australia Pty Ltd – IWP	N/A	N/A	Service based integrated support.	-
BAE Systems Australia Pty Ltd	N/A	N/A	Procurement, design, integration and installation of an AGAT system across the 12 Defence sites. This includes the procurement and integration of radio communications equipment that will supplement the existing AMACCS (currently sustained by BAE Systems Australia Pty Ltd) to enable transition of CMATS.	-

Major equipment accepted and quantities to 30 Jun 24

The project has accepted AGAT Mission Systems for Darwin, Oakey, Pearce, Gingin, East Sale, Edinburgh, Amberley, Richmond and Tindal.

Notes

1	This Jacobs Australia Pty Ltd - ISC contract was closed following the transition to a Branch wide Jacobs Australia Pty Ltd - IWP contract.
2	This was a result of agreeing alternate control tower systems for Oakey, Gingin, Richmond and Edinburgh (previously referred to as the Four Alternate Tower Solution and now referred to as the ADOT system), to be delivered within the agreed fixed-price cap of \$521.0m. The obligation for Airservices Australia Pty Ltd to provide ADOT was established through the OSA signed 22 February 2018. The ADOT Functional Performance and Requirements Specification was endorsed between Defence and Airservices Australia Pty Ltd at the OneSKY Configuration Control Board held June 2022.

2.4 Australian Industry Capability

Summary

The project has no contracted Australian Industry Capability (AIC) targets or AIC Plan in place for Airservices Australia Pty Ltd. Thales Australia Ltd, as the prime systems integrator for the CMATS system, was required to establish an Australian Industry Participation Plan using the model developed by Department of Industry, Science and Resources.

The project has an AIC plan in place for BAE Systems Australia Pty Ltd with contracted AIC commitments. BAE Systems Australia Pty Ltd are required to identify Local Industry Capability in the support of their procurement, design, integration and installation activities.

The project has no contracted AIC targets or AIC plan in place for Jacobs Australia Pty Ltd. The project sources Jacobs Australia Pty Ltd - IWP services via the Air and Space Surveillance and Control Branch MSP contract through 12-monthly work packages funded by AIR5431 Phase 3 for relevant scope of work.

Note

AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	CMATS System Requirements Analysis	Aug 17	N/A	Jan 18	5	1
Preliminary Design Release Zero (RZ)	CMATS	Oct 19	N/A	Dec 19	2	2, 4
Critical Design RZ	CMATS	Apr 20	Sep 20	Dec 20	8	2, 5
Design Release Baseline Review (DRBR) RZ (Block 1)	CMATS	Apr 21	Jun 21	Jun 21	2	7, 5
Support System Critical Design Review (CDR) RZ	CMATS	Apr 20	Jun 21	Nov 21	19	8

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Preliminary Design Review R1 Final	CMATS	Jan 22	Jul 22	Oct 22	9	3
Critical Design Review R1	CMATS	Sep 22	Jun 26	Apr 26	43	9
Preliminary Design Review R2	CMATS	Jun 23	N/A	N/A	N/A	9
Critical Design Review R2	CMATS	Feb 24	Apr 27	Apr 27	38	9
System Requirements	ADOT	Apr 21	Apr 21	Oct 21	6	6,10
Notes						
1	Airservices Australia Pty Ltd entered into contacts with Thales Australia Ltd for the acquisition of CMATS in February 2018. System Requirements Analysis was achieved later than expected due to an underestimation of the effort required to develop the Functional Baseline.					
2	Release Zero (RZ) was the initial Defence system build for the first five Defence sites and represented the minimum software functionality for safe air traffic services at Defence sites. R1 is a software release that represents the minimum functionality required for Airservices Australia Pty Ltd and now Defence, following implementation of the CMATS alternative delivery strategy. Release 2 (R2) is a software release that represents the full contract scope of CMATS.					
3	The CMATS alternative delivery strategy required Thales Australia Ltd to conduct a schedule re-plan of the CMATS contract and an update to the contracted Attachment C Delivery Schedule via CCP041. As a result, the Current Contracted date for Preliminary Design Review R1 Final was updated to July 2022, with the Milestone Acceptance Certificate reflecting Customer Acceptance in October 2022. Consequently the dates have been corrected in the PDSS, with the prior year's disclosure considered an oversight.					
4	Although the design review was exited in December 2019, a number of technical issues were not resolved but were planned for completion by August 2020. This was not achieved and the issues rolled into CDR activities.					
5	CMATS CDR was exited with a number of significant deficiencies, however these were managed through a process called a DRBR. DRBR was completed in June 2021 but the specifications at DRBR required updating to meet the entry criteria for the formal RZ system verification activity. CDR RZ was formally completed at execution of the Deed of Settlement in December 2023.					
6	Airservices Australia Pty Ltd signed contracts with Saab, Inc. and Frequentis Australasia Pty Ltd in December 2020. Airservices Australia Pty Ltd have received baselined schedules from both contractors and are integrating these schedules into the IMS to align the design, integration and site rollout activities across ADOT and CMATS. The milestone for ADOT System Requirements was contract execution date + 3 months and relied on completion of the System Requirements Milestone for a dependent Airservices Australia Pty Ltd Regional Tower Solution (RTS) project. The variance is due to RTS System Requirements achievement impacting ADOT System Requirements achievement.					
7	This milestone is not part of the original contract milestones and is specific to the Deed negotiated with Thales Australia Ltd to complete the significant number of outstanding actions arising from CDR RZ. However, the DRBR in June 2021 was for an interim specification and did not meet the entry criteria for entry into Test Readiness Review RZ.					
8	The variance is due to a combination of impacts of schedule delay to previous design milestones, and for the period June 2021 to November 2021, due to late delivery of the Contractor Data Requirements List artefacts to the customer prior to entering the review.					
9	The CMATS alternative delivery strategy introduced a single integrated CMATS common baseline (incorporating RZ into R1), verified against the R1 baseline for deployment. Updated Current Contracted dates are based on the new Attachment C Delivery Schedule dates, executed via a CCP041. The updated Forecast dates are based on the Contractor's Master Schedule. The PDR R2 Milestone was removed from the contracted Delivery Schedule via CCP041.					
10	Prior years' disclosures that System Requirements for ADOT in the categories of Original Planned, Current Contracted and Achieved/Forecast were 'Not Yet Agreed' and 'Not Applicable' have been corrected. The issue is related to the conduct of System Requirements against an earlier version of the ADOT functional performance and requirements specification.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
RZ System Verification	CMATS	Jun 21	N/A	N/A	N/A	2, 5
R1.8 System Verification	CMATS	Mar 23	Feb 27	Nov 26	44	2, 4
System Acceptance	SATC – CMATS	Jan 22	Jun 28	Feb 28	73	2, 3, 4
	RAAF Base East Sale - CMATS	May 22	Jun 28	Mar 28	70	2, 3, 4
	RAAF Base Amberley - CMATS	Jun 22	Jun 28	Mar 28	69	2, 3, 4
	RAAF Base Edinburgh - ADOT	Jun 22	Sep 26	Apr 27	58	1
	RAAF Base Pearce - CMATS	Oct 22	Feb 29	Oct 28	72	2, 3, 4
	RAAF Base Gingin - ADOT	Oct 22	Nov 26	Jun 27	56	1
	RAAF Base Tindal - CMATS	Nov 22	Jan 29	Oct 28	71	2, 3, 4
Army Aviation Centre Oakey - ADOT	Nov 22	Jun 27	Jan 28	62	1	

	RAAF Base Townsville - CMATS	Nov 23	Oct 28	May 28	54	2, 3, 4
	Naval Air Station Nowra - CMATS	Mar 24	Mar 29	Dec 28	57	2, 3, 4
	RAAF Base Williamtown - CMATS	Apr 24	Jan 29	Sep 28	53	2, 3, 4
	RAAF Base Darwin - CMATS	Apr 24	Oct 28	May 28	49	2, 3, 4
	RAAF Base Richmond - ADOT	May 24	Oct 26	May 27	36	1
RZ System Acceptance	CMATS	Aug 22	N/A	N/A	N/A	2
R1 System Acceptance	CMATS	Jul 24	Apr 29	Dec 28	53	2, 3, 4
R2 System Acceptance	CMATS	Feb 25	Aug 29	May 29	51	2, 3, 4
Final Acceptance	CMATS	Aug 25	Feb 30	Nov 29	51	2, 3, 4
Notes						
1	The Original Planned date was based on the original contract before these sites were de-scoped from the Thales Australia Ltd contract. Current Contracted dates are in accordance with the Saab Inc. CMS. The Achieved/Forecast dates include a risk duration due to known gaps in the contractor schedules. The variance is predominately due to a schedule re-baseline following execution of Contract Variation Proposal 2 that incorporated the Defence-specific requirements for ADOT.					
2	Original Planned dates are based on the original contract Delivery Schedule for RZ and R1 System Verification, System Acceptances at Defence sites, and software R1 and R2 Acceptance, as that would have represented the original delivery of CMATS to Defence.					
3	Current Contracted dates are based on the current contract Delivery Schedule for R1 System Acceptances at Defence sites, as this will now be the initial delivery of CMATS to Defence. The Achieved/Forecast dates are representative of the Contractor's Master Schedule.					
4	The variance to the Achieved/Forecast dates are as a result of the revised CMATS deployment strategy, that sought to address ongoing cost, schedule and technical challenges through a simplified software development and delivery approach of an integrated CMATS common product, verified against the R1 software baseline, deployed to Civil sites first, followed by Defence sites.					
5	RZ System Verification has been combined with R1.8 System Verification Military in accordance with the revised CMATS deployment strategy. The Original Planned date has been corrected to Jun 21, with prior N/A disclosures since FY 2017-18 identified as an oversight as the Original Planned date for RZ System Verification was agreed in February 2018 upon execution of the CMATS Acquisition Contract.					

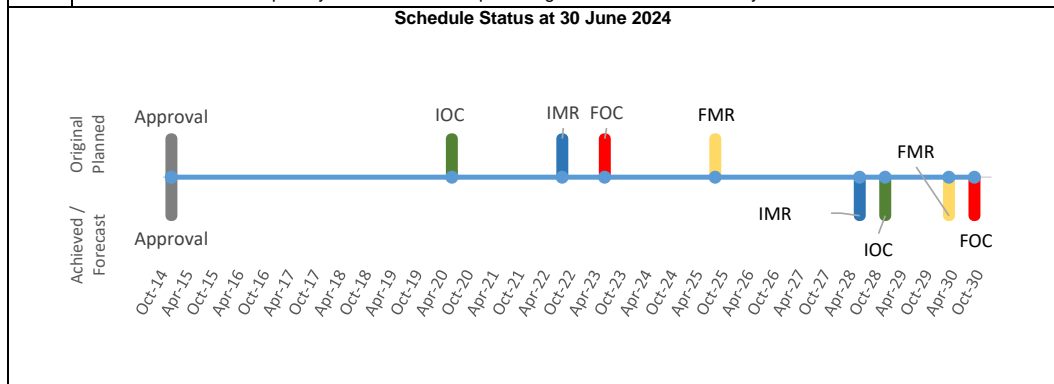
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Aug 22	Quarter 2, 2028	70	1, 2
Initial Operational Capability (IOC)	Jun 20	Quarter 4, 2028	102	2, 3, 4
Final Materiel Release (FMR)	Aug 25	Quarter 1, 2030	55	1, 2
Final Operational Capability (FOC)	Jun 23	Quarter 3, 2030	87	2, 4

Notes	
1	The IMR and FMR milestones reflect the advice provided to Government in December 2019 and are included in Materiel Acquisition Agreement (MAA) Version 3. The timing between IMR to IOC and FMR to FOC are constant. The apparent differences in variance between IMR/IOC and FMR/FOC is the result of using a different basis for the original date. The original date for IOC/FOC is the tender documentation whereas the original date used for IMR/FMR is the February 2018 Thales Australia Ltd contract date for those milestones. The IMR/FMR dates are only for the Thales Australia Ltd contract.
2	The variances in the identified milestones are the result of a number of cumulative factors including: a protracted negotiation period, schedule delays resulting from the inclusion of scope post contract, incorporated through CCPs, ongoing cost, schedule and technical challenges, and a change to the CMATS delivery strategy that now shifts delivery to Defence sites to follow Civil sites. The new forecast dates for IOC and FOC are linked to the achievement of Site Acceptances in CMATS Contract (Acquisition) Milestone Delivery Schedule. The Project has not yet sought Government endorsement for the revised forecast IOC and FOC dates.
3	IOC also includes RAAF Base Edinburgh ADOT.
4	Achieved / Forecast Capability Milestone dates reported against Quarters are conveyed in Calendar Year.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	Green: The project expects to meet the capability requirements as expressed in the Joint Project Directive, MAA and relevant Technical Regulatory Authority. While there have been a number of changes in the way Defence scope is to be delivered through the collaboration options initiated by Airservices Australia Pty Ltd, these will not impact on the safe delivery of Defence air traffic services.
	Amber: N/A
	Red: N/A

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

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Amberley, East Sale (including SATC) and Edinburgh transitioned from ADATS. Expected Achievement Quarter 2 2028.	Not yet Achieved
Initial Operational Capability (IOC)	Amberley, East Sale, SATC and Edinburgh have been accepted into operational service. Expected Achievement Quarter 4 2028.	Not yet Achieved
Final Materiel Release (FMR)	Delivery of all materiel system elements configured to the final system build for both ADOT and CMATS mission systems. Expected Achievement Quarter 1 2030.	Not yet Achieved
Final Operational Capability (FOC)	All Defence sites have been accepted into operational service. Expected Achievement Quarter 3 2030.	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Poor provision of, or delays to Customer Furnished Materials, Supplies and Services including non-compliance of, deficiencies in, or functional availability third-party systems and infrastructure, or a misalignment of network availability targets, may impact achievement of certification, and result in the customer impacting the schedule and require remediation.	Treatment involves close coordination with the Sponsor, S&C SPO, Airservices Australia Pty Ltd Integration team and the contractor to actively manage timely provision of fit for purpose Customer Furnished Material.
2	Divergent organisational goals, misalignment of governance structures and conflicting objectives and priorities, may impact delivery and result in a failure to satisfy customer capability expectations.	This risk is being addressed through the update of joint strategic plans, enhancements to the joint governance arrangements, implementation of POC remediation actions and alignment on stakeholder communications and engagement.
3	Delivery of ADOT may be affected by a lack of documented scope, disconnects in the allocation of scope between contractors, and poor integration, governance and resourcing, leading to a delayed ADOT that is not fit for purpose.	Defence staff embedded in the Joint Project Team ensure Defence requirements for ADOT are achieved in accordance with the ADOT Functional Performance Requirements Specification and OSA.
4	Thales Australia Ltd's design processes do not recognise Defence facilities constraints, this may lead to schedule delay and increased costs to the customer.	This risk was retired as a result of the successful implementation of the POC remediation plan through the execution of a nil-cost CCP to the CMATS contract.
5	The Joint Software Support Facility may not be available or operationally effective in time for demonstrating systems readiness, this may cause delays to commissioning at sites.	This risk was retired as a result of the successful implementation of the POC remediation plan through the execution of a nil-cost CCP to the CMATS contract.
6	Insufficient Defence and Airservices Australia Pty Ltd Joint Project Team resources, with adequate skills/experience prioritised across functional streams, may result in quality and schedule impacts to key activities and milestones, and wellbeing impacts to individuals.	Resource requirements are being assigned in the project schedules and IMS to inform current and future resource requirements, and support planning and resource strategies.
7	CMATS system and software verification may be impacted by a failure of Thales Australia Ltd to produce suitable documented evidence to support verification and validation of regulatory software assurance levels.	Resolution of a number of outstanding technical issues was achieved through POC remediation. The Customer and Thales Australia Ltd are progressing through verification and validation of the software through a process that tests the software release in blocks.
8	The systems engineering approach adopted by Thales Australia Ltd does not align with the contracted software design model, this increases the complexity of baseline management, assurance activities and complicates delivery of a systems solution.	This risk was retired as a result of the successful implementation of the POC remediation plan that focused on resolving the technical issues that contributed to the project's listing as a POC.
9	Thales Australia Ltd's resource profile, including sub-contractors, may not support the resource demand associated with parallel design and development and software verification activities across multiple release blocks, leading to schedule delay and cost pressures.	Thales Australia Ltd are managing to a resource management plan and resource resiliency is being monitored via the program performance framework and reported through the Program Review Board and governance groups and forums established through the OSA.

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10	Site acceptance activities may be impacted by a requirement to support long-term and ongoing travel obligations.	Remediation of the program resulted in the development of a credible schedule that shifted Defence site installation to follow civil sites, thereby removing the requirement for Defence to support long-term and ongoing travel obligations.
11	Thales Australia Ltd's prioritisation of schedule over quality results in additional work for the Joint Project Team to ensure contract deliverables are fit for purpose, leading to an increase to customer workforce demand.	This risk was retired as a result of the successful implementation of the POC remediation plan.
12	Lack of a mature IMS for CMATS and ADOT, may affect timely and accurate provision of Customer Furnished Material, the effectiveness of Defence resources and result in limitations on the management of cross-program dependencies, constraints and delivery risks, leading to an impact on the continuity of existing ATC services.	Leverage enhanced program governance arrangements to oversee the development and refinement of the IMS, including going management and reporting in accordance with the new performance framework established through the POC remediation process. An ATM CAP has been established to treat obsolescence issues with the existing ADATS ATM System.
13	Thales Australia Ltd's Human Factors approach may not support CMATS outcomes, including improved fitness for purpose based on user-centred design and optimised effectiveness of user performance.	This risk was closed following implementation of the POC remediation plan to effect the alternative CMATS delivery strategy. Residual risk exposure is now being managed under a newly created medium risk.
14	Capability fitness for purpose may be impacted by; ambiguity and known issues, a failure of the contractors to deliver the system requirements within the contract terms or budget, limitation of the technology solution to meet ATM service needs, and failure to integrate with interfaces and services.	This risk was reduced to medium following implementation of the POC remediation plan to effect the alternative CMATS delivery strategy. Extant controls and treatments are considered substantially effective for controlling residual risk exposure.
15	Support system readiness for ADOT commissioning may be impacted by delays to progressing the development of the support system.	Defence is working with Airservices Australia Pty Ltd to define the support system for ADOT through development of a support concept and inclusion of requirements into the specification.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Delivery of CMATS and ADOT may be impacted by the effectiveness of the Joint Program management of program risks, contractor performance, and integrated schedules and dependencies, leading to an impact on cost, schedule and scope thresholds.	POC established clear Joint Project Team roles and responsibilities, a robust governance structure and performance framework to enhance project delivery effectiveness, oversight and management.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Early exit of the CDR with major deficiencies in the RZ Design still to be addressed.	This issue was retired following agreement to Alternative CMATS Delivery Strategy "Straight to Release 1" that prioritised a single integrated CMATS product line (as opposed to two), verified against the R1 baseline and the consequent removal of RZ.
2	The increased cost of the project's MSP arrangement as a result of delays to the contractor's delivery schedules.	This issue was retired at the September 2023 Risk Workshop on the basis that the role of the Joint Project Team had been redefined, and that a call on contingency funding to extend the MSP workforce to the (then) estimated Project closure had been approved.
3	The OSA is not fit for purpose to manage the on-supply of sustainment supplies and services from Airservices Australia Pty Ltd.	Airservices Australia Pty Ltd and Defence have agreed to a cost-sharing regime for the sustainment of CMATS and ADOT, and via the Australian Civil-Military Air Traffic Management Committee forum, agreed to progress the development of a new arrangement to manage the capabilities and cooperation initiatives during the sustainment phase.
4	Through-life supportability of the Integrated Tower Automation Suite (INTAS) product for ADOT may not be viable following NAV CANADA's announcement that they are ceasing system development of the INTAS product.	This issue was retired following Saab's procurement of the Intellectual Property rights for the INTAS tower automation product, demonstration of their organisational capacity to rapidly establish a product development team to undertake Original Equipment Manufacturer accountabilities and advice from Airservices Australia Pty Ltd that ADOT would be delivered to Defence for the required Life of Type.

5	The current approved AIR5431 Phase 3 acquisition project budget and remaining contingency provision, is insufficient to complete the Project.	In addition to a Smart-Buyer activity to identify and validate project budget requirements to Project closure, undertake detailed cost and risk analysis to comprehensive detail the RCI proposal.
6	Water ingress at the technical equipment room at East Sale has resulted in remediation work to ensure safety, operational compliance and warranty of the installed system.	Engage Thales Australia Ltd to remediate water damaged equipment utilising the Problem Resolution Services mechanism under the CMATS Contract (Acquisition).
7	The issue is not for publication.	

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository (DLR). The project has captured 15 lessons. The three lessons the project identified as systemic or strategic in nature, that have been documented in the DLR, are listed below:	N/A
DLR Lesson Type – Observation. A lack of resources at the initiation stage of the project and during Request for Tender preparation, can create technical gaps and stakeholder misalignment that may impact baselining requirements, forecasting a realistic schedule, determining future workforce requirements and establishing governance structures that support effective joint decision-making.	Program, Project & Product Management/ Commercial Management
DLR Lesson Type – Observation. Long-running untreated schedule maturity issues increases program risk, results in sub-optimal short-term and long-term planning beyond the nearest major milestone and has a direct impact on the management and timely delivery of dependent projects and customer furnished material. CMS logic must reflect the logic agreed to in the contract, to ensure activities are sequenced according to precedence and priority.	Program, Project & Product Management
DLR Lesson Type – Observation. Aggressive timeframes to meet schedule milestones leads to compressed timeframes to effectively engage stakeholders (operational, engineering/technical and strategic), which can result in substandard requirements management. As such, schedules should include defined activities related to stakeholder consultation and alignment throughout the capability delivery life-cycle.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Air Defence and Space Systems Division
Branch	Air and Surface Surveillance and Control