

## Part 2. Defence Major Projects Report



## Secretary's Foreword

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

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

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 Therefore, based on security considerations, some information for certain projects will not be published.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

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

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

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

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

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

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

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



**Greg Moriarty**  
Secretary  
Department of Defence

**11 December 2024**

## OVERVIEW

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

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

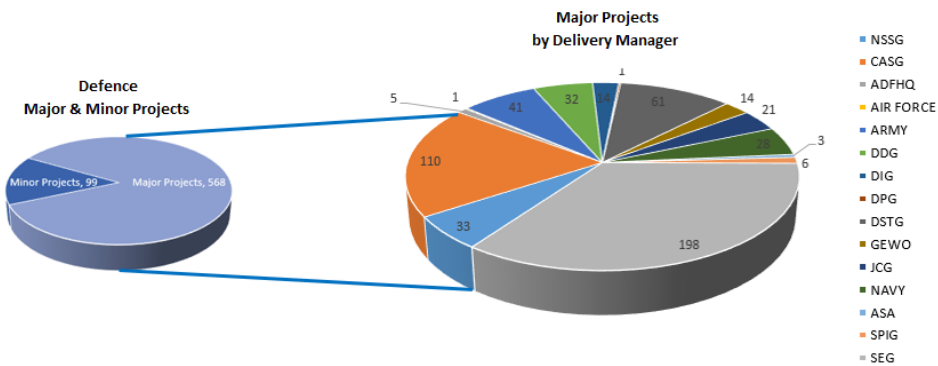


Figure 1. Projects distribution by Domain – Whole of Defence.

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

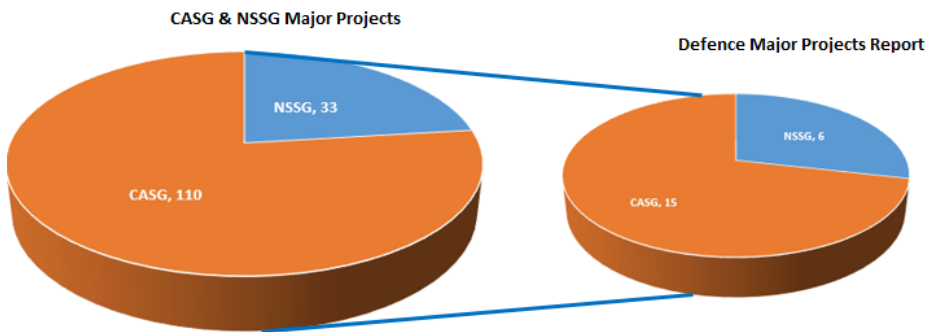


Figure 2. Projects distribution by Domain – 2023-24 MPR.

### Defence Major Projects Report

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

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

### National Defence Strategy (NDS)

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

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

### Integrated Investment Program (IIP)

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

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

### Defence Industry Development Strategy

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

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

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

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

#### Treatment of Classified and Sensitive Information

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

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

## PROJECT PERFORMANCE

### Performance Overview

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

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



sustainability products experiencing performance issues and challenges has correspondingly improved.

**Complexity**

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

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

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

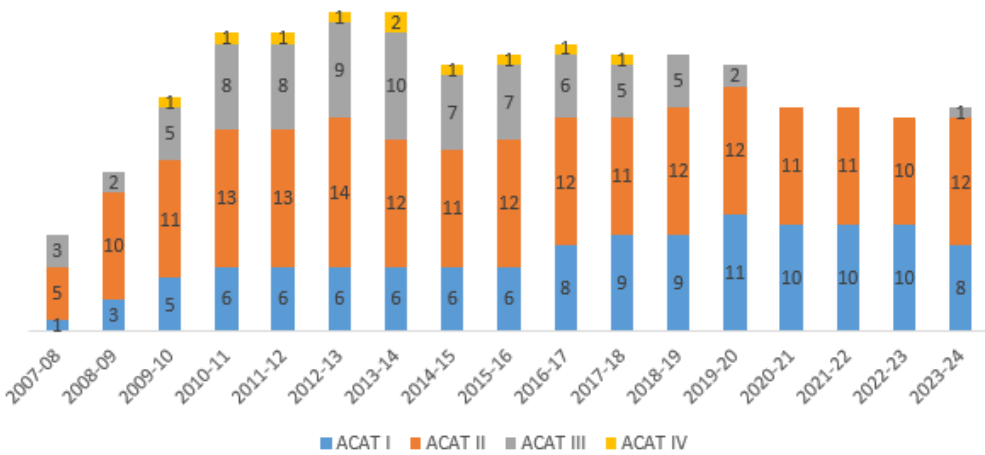


Figure 3. ACAT complexity of MPR projects by financial year, as at 30 June 2024.

**Acquisition Approach and Characteristics**

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

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

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

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

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

### Capability

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

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

### Cost

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

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

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

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

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

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

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

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

### Schedule

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

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

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

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

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

## ACQUISITION GOVERNANCE

### Performance Governance

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

### Projects of Concern and Interest

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

### Smart Buyer

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

### Independent Assurance Reviews (IAR)

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

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

### Risk Management

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

The Framework delivers:

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

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

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

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

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

### Project Lessons

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

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

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

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

### 2023–24 Exited Project Lessons

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

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

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

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

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

## Appendix A – Glossary

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



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

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

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**To Be Advised (TBA)**

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

**Variable Price Contracts**

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