

## Project Data Summary Sheet<sup>243</sup>

Project Number	JP 2048 Phase 3
Project Name	AMPHIBIOUS WATERCRAFT REPLACEMENT
First Year Reported in the MPR	2013–14
Capability Type	Replacement
Acquisition Type	Australianised MOTS
Service	Royal Australian Navy
Government 1st Pass Approval	Feb 09
Government 2nd Pass Approval	Sep 11
Total Approved Budget (Current)	<b>\$236.2m</b>
2014–15 Budget	<b>\$57.6m</b>
Project Stage	Initial Materiel Release
Complexity	ACAT III



### Section 1 – Project Summary

#### 1.1 Project Description

The JP 2048 Phase 3 project will provide the Amphibious Deployment and Sustainment capability with a new breed of watercraft that will be organic to the two new Canberra Class Amphibious Assault Ships, Landing Helicopter Dock (LHD), acquired under JP 2048 Phase 4A/4B. The craft will be known as LHD Landing Craft (LLC). The LLC will interface and operate with the LHD ships and will enable transport of personnel and equipment from the LHD ships to the shore, including where there are no fixed port facilities or prepared landing facilities. The LLC have an in-service date of 2014–2016.

#### 1.2 Current Status

##### Cost Performance

###### In-year

**As at 30 June 2015 the project experienced a minor underspend of \$1.0m** against an in-year budget of **\$57.6m**, which was due to **lower than planned expenditure against spares related milestones**.

###### Project Financial Assurance Statement

As at 30 June 2015, project JP 2048 Phase 3 has reviewed the approved scope and budget for those elements required to be delivered by the project. Having reviewed the current financial and contractual obligations of the project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope.

###### Contingency Statement

The project has not applied contingency in the Financial Year.

#### 243 Notice to reader

Future dates and Sections: 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability Delivery Performance), 5.1 (Major Project Risks) and 5.2 (Major Project Issues) are out of scope for the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Review Report by the Auditor-General* in **Part 3** of this report.

### Schedule Performance

Major project milestones achieved in **2014-15** include:

- Completion of Acceptance Test and Evaluation activities for LLC **05-08** in Spain;
- Project acceptance of LLC **05-08** in Australia;
- **Completion** of Military communication and navigational display systems installation on LLC **05-08**;
- **Completion** of LLC 01-04 crew training;
- **Commencement of LLC 05-08 crew training**;
- **Eight** out of 12 LLC constructed;
- **Achievement of Initial Operational Release (IOR)**;
- **Achievement of Initial Materiel Release (IMR)**; and
- **Achievement of Materiel Release (MR2)**.

Progress of these milestones demonstrates schedule performance and supports the achievement of project outcomes within the planned timeframes.

### Materiel Capability Delivery Performance

The project remains on track to deliver the materiel capability as approved at Second Pass.

### Note

The capability assessments and forecasts by the project are not subject to the ANAO's assurance review.

### 1.3 Project Context

#### Background

A Request for Information and Optimisation Study was conducted before developing a Preliminary Function Performance Specification from the Operational Concept Document. A Request for Proposal (RFP) was released in November 2007. The RFP evaluation determined the Navantia proposed LCM-1E series watercraft was the most suitable design, as it is a Military off the Shelf (MOTS) solution and already in service with the Spanish Armada.

The project received First Pass approval in February 2009. Government approved the Navantia LCM-1E MOTS solution as the most suitable capability option and the project released a direct source Request for Tender to Navantia in May 2009. The Evaluation Report was endorsed by the Capability Development Stakeholder Group in July 2010.

The project received Second Pass approval in September 2011 and a contract was signed between the Commonwealth and Navantia in December 2011 for the acquisition of 12 LHD Landing Craft (LLC) built in Spain, based on the LCM-1E series watercraft with Australian modifications for the Royal Australian Navy (RAN) together with associated supplies and Integrated Logistic Support.

In accordance with the project Materiel Acquisition Agreement (MAA) the 12 LLC will be delivered in three batches of 4 craft:

- Batch 1 (LLC 01-04) scheduled for April 2014 (achieved on schedule);
- Batch 2 (LLC 05-08) scheduled for March 2015 (**achieved ahead of schedule**); and
- Batch 3 (LLC 09-12) scheduled for January 2016.

#### Uniqueness

While the LLC is based on an existing Spanish LCM-1E series watercraft design, in addition to the Spanish requirements the LLC will be built to Classification Society standards.

#### Major Risks and Issues

The project has accepted the first **and second batches of LLCs (8 in total)** from Navantia in Australia. The project has experienced issues with Navantia's inability to deliver documentation relating to spares in accordance with the contract schedule, which has consequently impacted the delivery of spares items. The project has also experienced some minor issues concerning the timing and executing of support contracts.

#### Other Current Sub-Projects

**JP 2048 Phase 4A/4B:** The acquisition of two Canberra Class Amphibious Assault Ships, LHDs and associated supplies and support. The LLC are required to integrate with the LHD ships.

## Section 2 – Financial Performance

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

Date	Description	\$m	Notes
	<b>Project Budget</b>		
Jul 09	Original Approved	2.9	1
May 11	Real Variation – Scope	(0.7)	2
Sep 11	<b>Government Second Pass Approval</b>	233.5	
Aug 13	Real Variation – Transfer	(7.7)	3
		<b>225.1</b>	
Jul 10	Price Indexation	0.1	4
Jun 15	Exchange Variation	<b>8.1</b>	
Jun 15	<b>Total Budget</b>	<b>236.2</b>	
	<b>Project Expenditure</b>		
Prior to Jul 14	Contract Expenditure – Navantia	(77.5)	
	Other Contract Payments / Internal Expenses	(16.2)	5
		<b>(93.7)</b>	
FY to Jun 15	Contract Expenditure – Navantia	(50.9)	
	Other Contract Payments / Internal Expenses	(5.7)	6
		<b>(56.6)</b>	
FY to Jun 15	<b>Total Expenditure</b>	<b>(150.3)</b>	
Jun 15	<b>Remaining Budget</b>	<b>85.9</b>	

#### Notes

1	This project's original DMO budget amount is that prior to achieving Second Pass Government approval.
2	Removal of requirement for Project to fund APS salaries – approved May 2011.
3	A real decrease of (\$7.7m) was approved vide MAA V2.1 dated August 2013 as the Second Pass Approval Agreement Price did not match the Transfer Price from Capability Development Group. The real decrease corrected this.
4	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$0.1m.
5	Other <b>prior years</b> expenditure comprises: Operating Expenditure, <b>Military Communication System (\$7.8m) and Navigation Display System (\$1.9m) contracts, Customs Duty (\$2.7m)</b> , Pre Second Pass activities (\$1.3m), Contractor Support ( <b>\$1.2m</b> ) and Minor Capital expenditure not attributable to the Prime contract ( <b>\$1.3m</b> ).
6	Other <b>current year</b> expenditure comprises: <b>Customs Duty (\$2.6m)</b> , Military communication System ( <b>\$1.3m</b> ) and Navigation Display system contracts ( <b>\$0.5m</b> ), Contractor Support ( <b>\$0.5m</b> ) and Minor Capital expenditure not attributed to the Prime contract ( <b>\$0.8m</b> ).

### 2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
55.1	50.3	57.6	<b>PBS-PAES – The variation is due to a reduction in price escalation exposure, and reprogramming of logistics support activities. PAES-Final – The variation is due to reprogramming of the Prime Contract Milestone.</b>
Variance \$m	(4.8)	7.3	Total Variance (\$m): <b>2.5</b>
Variance %	(8.7)	14.5	Total Variance (%): <b>4.5</b>

## 2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
			FMS	<b>To the end of June 2015, some of the planned expenditure for spares has not occurred.</b>
		(1.0)	Overseas Industry	
			Local Industry	
			Brought Forward	
			Cost Savings	
			FOREX Variation	
			Commonwealth Delays	
			Additional Government Approvals	
<b>57.6</b>	<b>56.6</b>	<b>(1.0)</b>	<b>Total Variance</b>	
		<b>(1.7)</b>	<b>% Variance</b>	

## 2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 15 \$m			
Navantia	Dec 11	148.9	<b>155.1</b>	Variable	ASDFCON	1,2
<b>Notes</b>						
1	Amendments to the Contract since signature include execution of contracted options for long lead time items, spares and training delivery.					
2	<b>Contract value as at 30 June 2015 is based on actual expenditure to 30 June 2015 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).</b>					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 15				
Navantia	12	12	LHD Landing Craft and Support System			
<b>Major equipment received and quantities to 30 Jun 15</b>						
Project acceptance of LLC 01-04 achieved in April 2014 and <b>LLC 05-08 in February 2015</b> . Construction of <b>eight</b> out of 12 LLC complete. Construction of LLC <b>09-12</b> continues.						

## Section 3 – Schedule Performance

## 3.1 Design Review Progress

Review	Major System / Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Requirement	Mission System	Dec 11	N/A	Dec 11	0	
	Support System	Dec 11	N/A	Dec 11	0	
Preliminary Design	Mission System	Jun 12	N/A	Aug 12	2	1
	Support System	Jun 12	N/A	Jun 12	0	
	Navigational Display System	Jul 13	N/A	Oct 13	3	1
Critical Design	Mission System	Nov 12	N/A	Nov 12	0	
	Support System	Nov 12	N/A	Dec 12	1	1
	Military Communication System – Mission System	Mar 13	N/A	Jul 13	4	2
	Military Communication System – Support System	Jun 13	Dec 13	May 14	11	3
	Navigational Display System	Oct 13	N/A	Dec 13	2	1
<b>Notes</b>						
1	This design review was formally exited following the completion of actions identified with in the exit					

## Project Data Summary Sheets

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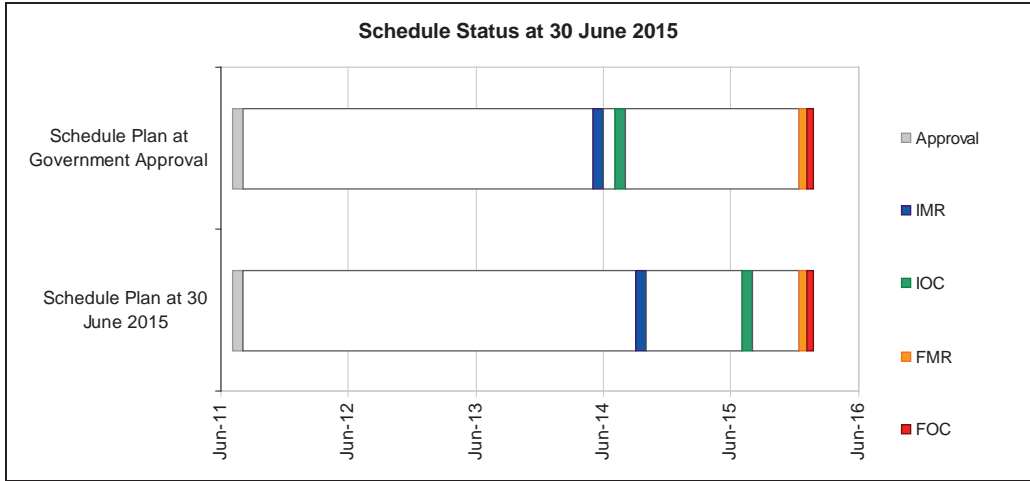
	criteria and/or other action items identified during the review.
2	Elbit Systems of Australia (ELSA) Mission System Detailed Design Review (DDR) was scheduled to be conducted in late March 2013, however, this coincided with a Navantia Mandated System Review and key project members were not available to attend. The ELSA DDR was rescheduled to the earliest mutually convenient date. This design review was formally exited following the completion of actions identified within the exit criteria during the review.
3	ELSA Support System DDR was not conducted in December 2013 as ELSA's planned prototyping activity in Spain was delayed due to Navantia's delay in production schedule. March 2014 was the earliest mutually convenient date. This design review was formally exited following the completion of actions identified within the exit criteria during the review.

### 3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System / Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Integration	LLC 01-04	Feb 14	N/A	Feb 14	0	1
	LLC 05-08	Dec 14	N/A	<b>Dec 14</b>	<b>0</b>	1
	LLC 09-12	Oct 15	N/A	<b>Aug 15</b>	<b>(2)</b>	1
Acceptance	LLC 01-04 Project Acceptance	Apr 14	N/A	Apr 14	0	
	LLC 05-08 Project Acceptance	Mar 15	N/A	<b>Feb 15</b>	<b>(1)</b>	2
	LLC 09-12 Project Acceptance	Jan 16	N/A	<b>Jan 16</b>	<b>0</b>	2
<b>Notes</b>						
1	<b>System Integration refers to Navantia test and evaluation of the LLC and does not include the Battle Management System (BMS) or Navigational Display System (NDS). The BMS and NDS have been installed on LLC 01-08, and will be installed on LLC 09-12 after acceptance of the craft by the CoA from Navantia.</b>					
2	The Navantia production schedule at end <b>June 2015</b> reports production of the third <b>batch</b> of 4 LLC as presently <b>on</b> schedule.					

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

Item	Original Planned	Achieved /Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	May 14	<b>Oct 14</b>	<b>5</b>	1
Initial Operational Capability (IOC)	Aug 14	<b>Aug 15</b>	<b>12</b>	1,2
<b>Materiel Release 2 (MR2)</b>	<b>Apr 15</b>	<b>Jun 15</b>	<b>2</b>	3
Final Materiel Release (FMR)	Feb 16	<b>Feb 16</b>	<b>0</b>	4
Final Operational Capability (FOC)	Feb 16	<b>Feb 16</b>	<b>0</b>	4
<b>Notes</b>				
1	<b>IMR was submitted on 20 June 2014 and was accepted by Navy on 10 October 2014 following the review of Initial Operational Release (IOR) documentation. This has had a flow on effect to activities, including IOC.</b>			
2	<b>Issues related to the IOC achievement are noted in the Statement by the Secretary.</b>			
3	<b>Lessons learnt from IMR indicated that the MR2 schedule was too optimistic and this has resulted in a two month variance.</b>			
4	The Navantia production schedule at end <b>June 2015</b> reports production of the third batch of 4 LLC as presently ahead of schedule. <b>Although the third batch of 4 LLC are ahead of schedule the Integrated Logistics Support products, such as training, spare parts and manuals, will be delivered as contracted.</b>			



### Section 4 – Materiel Capability Delivery Performance

#### 4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Performance

<p>100%</p>	<p><b>Green:</b> Design, production, and acceptance test activities continue to support achievement of project Materiel Capability Performance outcomes.</p>
	<p><b>Amber:</b> N/A</p>
	<p><b>Red:</b> N/A</p>
<p><b>Note</b></p> <p>This Pie Chart does not necessarily represent capability achieved. The capability assessments and forecasts by the project are not subject to the ANAO’s assurance review.</p>	

#### 4.2 Constitution of Initial Materiel Release and Final Materiel Release

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> <li>• LLC 01-04 (installed communications, BMS, navigation system and armament) delivered ready for Training, work-up, Operational Test and Evaluation.</li> <li>• LLC Support System sufficient to support Operational Testing on 4 LHD Landing Craft, including transition to sustainment.</li> </ul>	<b>Achieved</b>

Final Materiel Release (FMR)	<ul style="list-style-type: none"> <li>• <b>LLC 09-12 (inclusive of communications, BMS, navigation system and armament) delivered ready for Training.</b></li> <li>• <b>LLC Support System sufficient to support 12 Landing Craft, including transition to sustainment.</b></li> </ul>	<b>Not achieved</b>
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## Section 5 – Major Risks and Issues

### 5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
The achievement of IOC for LHD Landing Craft may be delayed due to the lack of understanding of the Safety Case and the associated artefacts.	Stakeholder engagement to better understand the safety risks. <b>This risk is now retired due to achievement of IOR and acceptance of the interim Safety Case.</b>
Emergent Risks (risk not previously identified but has emerged during 2014-15)	
Description	Remedial Action
N/A	N/A

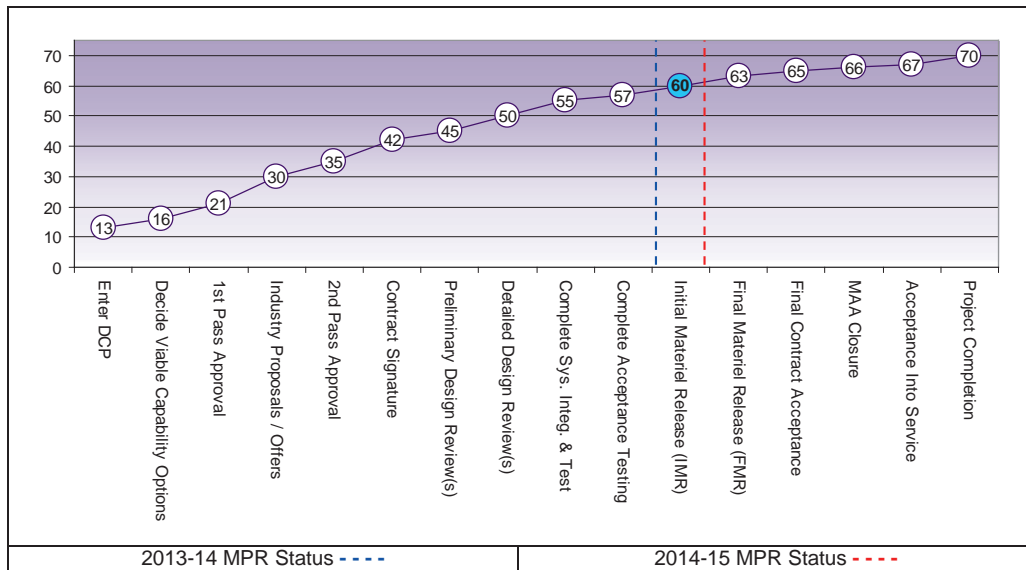
### 5.2 Major Project Issues

Description	Remedial Action
LLC 01-04 are not correctly supported with supplies.	The project office to fast track the approval process for spares procurement. The project is investigating local acquisition of those spares assessed as critical to initially support the LLC. <b>The SPO has established a supply chain to procure spares locally.</b>
Support contracts are not in place by delivery of first four vessels.	The project office has ongoing engagement with the LHD System Program Office for sustainment ensuring interim arrangements are in place. <b>This issue is now retired with the In-Service Support Contract now in place (Operative Date 17 November 2014).</b>

## Section 6 – Project Maturity

### 6.1 Project Maturity Score and Benchmark

Maturity Score		Attributes							Total
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support	
Project Stage	Benchmark	<b>10</b>	8	8	8	9	8	<b>9</b>	<b>60</b>
<b>Initial Materiel Release</b>	Project Status	<b>9</b>	8	<b>9</b>	8	9	9	9	<b>61</b>
	Explanation	<ul style="list-style-type: none"> <li>• <b>Schedule: Confident that the project remains on track to deliver the materiel capability as approved at Second Pass.</b></li> <li>• <b>Requirement: Integration and testing processes have verified achievement of endorsed requirements.</b></li> <li>• <b>Commercial: Project acceptance of LLC 01-04 achieved in April 2014 and LLC 05-08 in February 2015.</b></li> </ul>							



### Section 7 – Lessons Learned

#### 7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons
N/A	N/A

### Section 8 – Project Line Management

#### 8.1 Project Line Management in 2014-15

Position	Name
General Manager	Mr Colin Thorne
Division Head	RADM Mark Purcell
Branch Head	Mr Patrick Fitzpatrick
Project Director	CAPT (RAN) Craig Bourke (to Dec 14) <b>Mr Patrick Fitzpatrick (Dec 14 to current)</b>
Project Manager	Mr Paul Hegarty