

Project Data Summary Sheet¹⁴⁸

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
Capability Manager	Chief of Navy
Government 1st Pass Approval	Feb 09
Government 2nd Pass Approval	Sep 11
Budget at 2 nd Pass Approval	\$235.7m
Total Approved Budget (Current)	\$236.7m
2017-18 Budget	\$2.0m
Project Stage	Final Contract Acceptance
Complexity	ACAT III



Section 1 – Project Summary

1.1 Project Description

Joint Project (JP) 2048 Phase 3 provides the Amphibious Deployment and Sustainment capability with a new breed of watercraft that are organic to the two new Canberra Class Amphibious Assault Ships, the Landing Helicopter Dock (LHD), acquired under JP 2048 Phase 4A/4B. The craft are known as LHD Landing Craft (LLC). The LLC **was purchased as an organic ship to shore connector and will** interface and operate with the LHD ships, enabling transport of personnel and equipment from the LHD ships to the shore, including where there are no fixed port facilities or prepared landing facilities.

1.2 Current Status

Cost Performance

In-year

In February 2018 the in year project budget was increased by \$2m to examine options to improve carrying capacity. As at 30 June 2018 this work had not commenced and none of these funds had been expended. The work will now be undertaken in FY18/19.

Project Financial Assurance Statement

As at 30 June 2018, 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.

Schedule Performance

The project achieved Final Acceptance in August 2016 (6 months behind schedule) and Final Materiel Release (FMR) in December 2016 (10 months behind schedule). Navy **have not yet rescheduled** the incomplete LHD/LLC interface trials of May 2016, for carriage of heavy loads. Completion of the trial will support Navy's **decision** on Final Operational Capability (FOC).

Materiel Capability Delivery Performance

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

Note

Forecast dates and capability assessments are excluded from the scope of the review.

¹⁴⁸ Notice to reader

Forecast dates and Sections: 1.2 (Materiel Capability Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability 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.

1.3 Project Context

Background	
<p>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.</p> <p>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.</p> <p>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 were delivered in three batches of 4 craft:</p> <ul style="list-style-type: none"> • 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 (achieved ahead of schedule). 	
Uniqueness	
<p>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.</p>	
Major Risks and Issues	
<p>The issue 'Impact to Project Closure due to the delay in achievement of Final Operational Capability' remains open until delayed Navy Operational Testing is complete. The testing, rescheduled for quarter 2 2018, did not occur and has not yet been rescheduled.</p>	
Other Current Sub-Projects	
<p>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 and is their organic ship to shore connector.</p>	
Note	
<p>Major risks and issues are excluded from the scope of the review.</p>	

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Jul 09	Original Approved	2.9	1
May 11	Real Variation – Scope	(0.7)	2
Sep 11	Government Second Pass Approval	233.5	
	Budget at Second Pass Approval	<u>235.7</u>	
Aug 13	Real Variation – Transfer	(7.7)	3
Jul 10	Price Indexation	0.1	4
Jun 18	Exchange Variation	8.6	
Jun 18	Total Budget	<u><u>236.7</u></u>	
Project Expenditure			
Prior to Jul 17	Contract Expenditure – Navantia	(150.3)	5
	Other Contract Payments / Internal Expenses	(26.0)	
		<u>(176.3)</u>	
FY to Jun 18	Contract Expenditure – Navantia	0.0	
	Other Contract Payments / Internal Expenses	0.0	
		<u>0.0</u>	
FY to Jun 18	Total Expenditure	<u>(176.3)</u>	
Jun 18	Remaining Budget	<u>60.4</u>	
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.		

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5	Other prior year expenditure comprises: Operating Expenditure, Military Communication System contract (\$9.3m), Customs Duty (\$8.1m), Navigation Display System contract (\$3.0m), Minor Capital expenditure not attributable to the Prime contract (\$2.2m), Contractor Support (\$2.1m) and Pre Second Pass activities (\$1.3m).
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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
0.0	0.0	2.0	PBS-PAES: Nil variation. PAES-Final Plan: Variance is due to requirement to conduct studies and works to improve the vehicle carrying functionality and platform fatigue life.
Variance \$m	0.0	2.0	Total Variance (\$m): 2.0
Variance %	0.0	100.0	Total Variance (%): 100.0

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(2.0)	Australian Industry	The in year project budget was increased by \$2m to examine options to improve carrying capacity. As at 30 June 2018 this work had not commenced and none of these funds had been expended.
			Foreign Industry	
			Early Processes	
			Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
2.0	0.0	(2.0)	Total Variance	
		(100.0)	% Variance	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 18 \$m			
Navantia	Dec 11	148.9	150.3m	Variable	ASDEFCON	1,2
Notes						
1	Amendments to the Contract since signature include execution of contracted options for long lead time items, spares and training delivery.					
2	Contract value as at 30 June 18 is based on actual expenditure to 30 June 18 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 18				
Navantia	12	12	LHD Landing Craft and Support System			
Major equipment received and quantities to 30 Jun 18						
Project acceptance of LLC 01-04 achieved in April 2014, LLC 05-08 in February 2015 and LLC 09-12 in November 2015. Construction of all 12 LLCs complete.						

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
Notes						
1	This design review was formally exited following the completion of actions identified within the exit criteria and/or other action items identified during the review.					

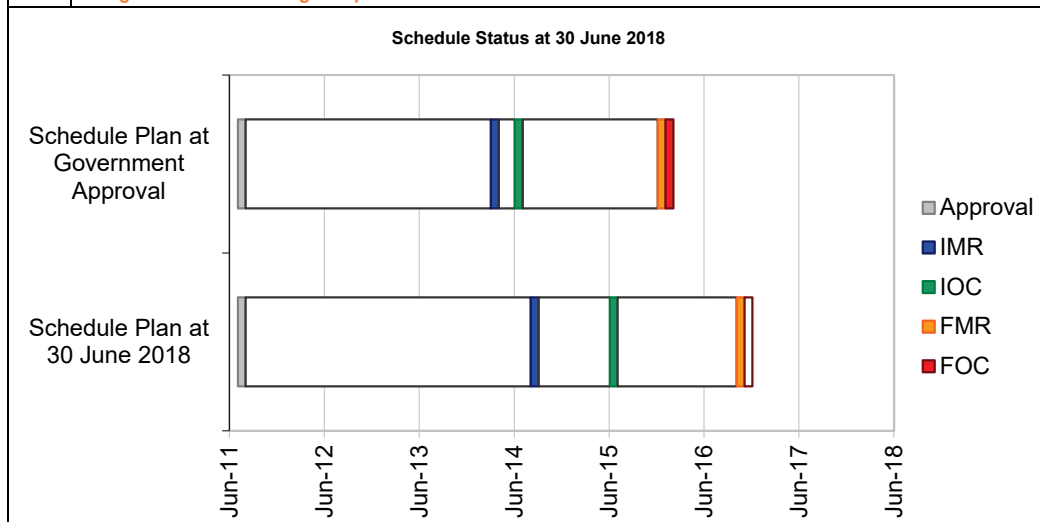
2	Elbit Systems of Australia (ELSA) Mission System Detailed Design Review (DDR) was scheduled to be conducted in late March 2013, however, this coincided with a Navantia Mandated System Review and key project members were not available to attend. The ELSA DDR was rescheduled to the earliest mutually 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	Dec 14	0	1
	LLC 09-12	Oct 15	N/A	Aug 15	(2)	1
Acceptance	LLC 01-04 Project Acceptance	Apr 14	N/A	Apr 14	0	
	LLC 05-08 Project Acceptance	Mar 15	N/A	Feb 15	(1)	2
	LLC 09-12 Project Acceptance	Jan 16	N/A	Nov 15	(2)	2
Notes						
1	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 were installed on LLC 01-12, after acceptance of the craft by the CoA from Navantia.					
2	The production of the second and third batch of 4 LLC was completed ahead of 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	Oct 14	5	1
Initial Operational Capability (IOC)	Aug 14	Aug 15	12	1
Materiel Release 2 (MR2)	Apr 15	Jun 15	2	2
Final Materiel Release (FMR)	Feb 16	Dec 16	10	3
Final Operational Capability (FOC)	Feb 16	TBA	-	4
Notes				
1	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.			
2	Lessons learnt from IMR indicated that the MR2 schedule was too optimistic and this resulted in a two month variance.			
3	Final Operational Test and Evaluation for the LHD/LLC interface trials occurred in May 2016. These trials were incomplete leading to a 10 month delay in achievement of FMR.			
4	FOC was not achieved in Jun 18 as forecast due to the outstanding operational testing of heavy loads has been being deferred. The testing is expected to be rescheduled which will allow FOC to be forecast.			



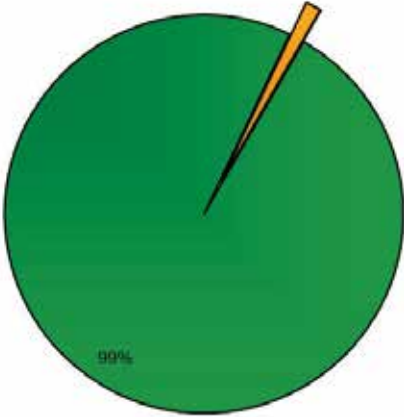
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Note
Forecast dates in Section 3 are excluded from the scope of the review.

Section 4 – Materiel Capability Delivery Performance

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Performance	
	<p>Green: The designs' operational envelope has been certified by a Classification Society and the Contractor's acceptance test activities have been completed which has proven the Materiel Capability Performance. Navy planning to complete the LHD/LLC interface trials is ongoing and will support achievement of Final Operational Capability.</p> <p>An IFF capability for the LLC is not in the scope of JP2048 Phase 3 and will be addressed as part of Project SEA 2048 Phase 6 with funding being transferred from JP 2048 Phase 3 to SEA 2048 Phase 6 when the latter becomes an 'approved project'. In the interim the LLC will be accepted by Navy without the IFF capability noting that the vessels are fitted with the Army Battle Management System (BMS) and Automatic Identification System (AIS) which will provide situational awareness for the vessels.</p> <p>Amber: The testing of heavy loads in May 2016 was not completed as planned for safety reasons. Navy Operational Testing is expected to be rescheduled.</p> <p>Red: N/A</p>
Note	
This Pie Chart represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the review.	

4.2 Constitution of Initial Materiel Release and Final Materiel Release

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> • LLC 01-04 (installed communications, BMS, navigation system and armament) delivered ready for Training, work-up, Operational Test and Evaluation. • LLC Support System sufficient to support Operational Testing on 4 LHD Landing Craft, including transition to sustainment. 	Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> • LLC 09-12 (inclusive of communications, BMS, navigation system and armament) delivered ready for Training. • LLC Support System sufficient to support 12 Landing Craft, including transition to sustainment. 	Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
N/A	N/A
Emergent Risks (risk not previously identified but has emerged during 2017-18)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

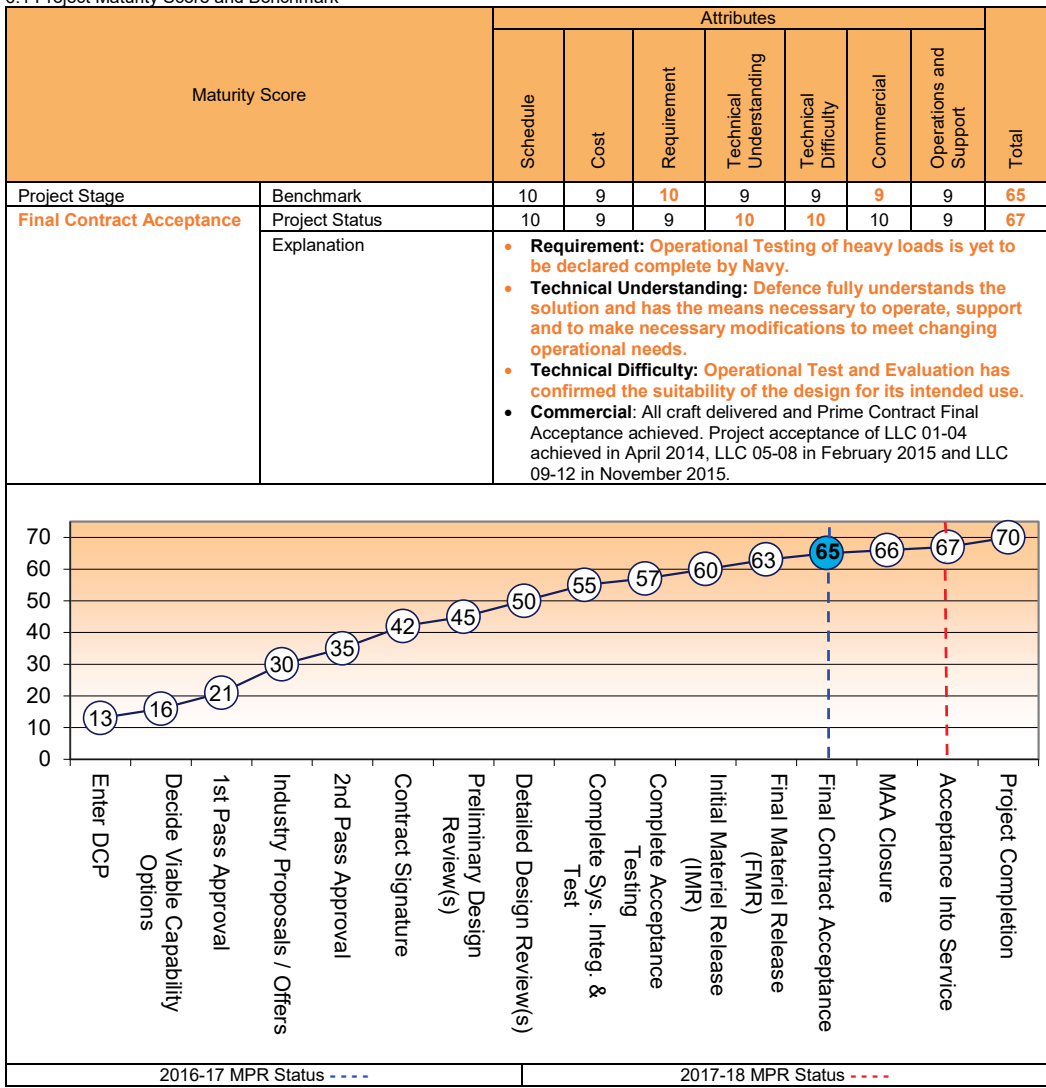
Description	Remedial Action
Project Closure will not be achieved as forecast due to a delay in achievement of FOC leading to an impact on schedule.	Work with Navy to complete Operational Testing . Supply Contractor documentation such as Acceptance Test Reports (ATRs) of the LLC trials conducted in Spain; and

Reschedule the incomplete LHD/LLC interface trials of May 2016 for carriage of heavy loads. The trial is **yet to be rescheduled**. Completion of the trial will support Navy's **decision on** Final Operational Capability (FOC).

Note
Major risks and issues in Section 5 are excluded from the scope of the review.

Section 6 – Project Maturity

6.1 Project Maturity Score and Benchmark



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 2017-18

Position	Name
Division Head	RADM Adam Grunsell
Branch Head	CDRE Steven Tiffen (Jul 17 – Jun 18) CDRE Robert Elliott (Jun 18 – current)
Project Director	Mr Terrence Stamp
Project Manager	Ms Donna Tobias (Jul – Nov 17) Vacant (Nov 17 – Mar 18) Mr Thomas Egan (Mar 18 – current)

