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Project Data Summary Sheet¹

Project Number	AIR9000 Phase 2, 4 and 6
Project Name	MULTI-ROLE HELICOPTER
First Year Reported in the MPR	2008-09
Capability Type	Replacement
Capability Manager	Chief of Navy and Chief of Army
Government 1st Pass Approval	Apr 06 (Phases 4 and 6)
Government 2nd Pass Approval	Aug 04 (Phase 2), Apr 06 (Phases 4 and 6)
Budget at 2nd Pass Approval	\$3,522.8m
Total Approved Budget (Current)	\$3,770.7m
2021-22 Budget	\$113.2m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

The Multi-Role Helicopter (MRH) Program is a key component of the Australian Defence Force (ADF) Helicopter Strategic Master Plan that seeks to rationalise the number of helicopter types in ADF service. The MRH Program consists of three phases of AIR9000. Phase 2 (12 helicopters) is the acquisition of an additional Squadron of troop lift aircraft for the Australian Army, Phase 4 (28 helicopters) that replaced Army's Black Hawk helicopters in the Air Mobile and Special Operations roles, and Phase 6 (6 helicopters) that replaced Royal Australian Navy (RAN) Sea King helicopters in the Maritime Support Helicopter role. All three phases are grouped under the AIR9000 MRH Program.

1.2 Current Status

On 28 November 2011, the Minister for Defence announced this project as a Project of Concern.

Cost PerformanceIn-year

The project has spent \$36.0m against a revised budget of \$113.2m to the end of June 2022.

The variance is partially due to an increase in FY 2021-22 budget of \$52.5 million (with a corresponding decrease in FY 2022-23). This budget adjustment was as a result of movements between FYs across multiple projects in order to accommodate funding requirements and capability deliverables within the Acquisition program. This has had no impact on the project budget overall.

The remainder (\$24.9 million) was due to delays to the prime contract milestone achievements and other capability deliverables, and reduction in contractor and project management office costs.

Project Financial Assurance Statement

As at 30 June 2022, project AIR9000 Phase 2, 4 and 6 has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget, including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has committed contingency in the financial year primarily for the treatment of various supportability and performance risks such as a replacement Mission Management System including Aviation Mission System (AMS) Hardware procurement and Contractor Support Services, Fast Roping, Rappelling and Extracting System (FRRES) Delta Scope, Common Mission Management System (CMMS) System Service Order Agreement. The commitment of Contingency is directly in support of the transition of the MRH90 into 6 Avn Regt. The expenditure was of previously approved contingency commitments. No additional contingency funding was sought or approved in FY 2021-22.

Schedule Performance

As a result of the Deed 2 negotiations with the contractor, the final aircraft delivery was rescheduled resulting in all forty-seven aircraft being accepted into service with the final aircraft accepted in July 2017. The first thirteen aircraft required an in-service retrofit to bring them to the contracted Acquisition capability baseline, the final retrofit was completed in March 2016. Both Full Flight Mission Simulators have been accepted.

Due to ongoing capability delays and technical deficiencies, Final Materiel Release (FMR) and Final Operational Capability (FOC) milestones have been delayed. FMR and FOC forecast dates have been updated to March 2023 as a combined declaration for both. FOC declaration may include some limitations as per Section 4. The following capability milestones have been declared:

- Initial Operational Capability (IOC): Army – December 2014; Navy – February 2015
- Operational Capability Land (OCL) first (OCL1) September 2015; second (OCL2) – March 2016; and third (OCL3) – February 2018

¹ Notice to reader

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.

• Operational Capability Amphibious (OCA); second and third (OCA2/3) – December 2015 Remediation configuration management issues of production aircraft slowed the acceptance of production aircraft in 2015, this in turn slowed the rate of capability growth. Due to reliability and design shortfalls the Chief of Army delayed the introduction of MRH90 into 6 Avn Regt by three years and delayed the withdrawal of Black Hawk to 2022 to mitigate the risk to capability. In September 2017 the Chief of Army, with endorsement from Chief of Army's Senior Advisory Committee (CASAC), agreed to continue the transition of MRH90 into 6 Avn Regt. The transition commenced in January 2019 and concluded with the withdrawal of S70A-9 Black Hawk from Service. The transition of MRH90 into 6 Avn Regt has been supported by the project through the funding of facilities works, procurement of Support and Test Equipment and additional spares. Army is in the process of developing an option for the rapid replacement of the MRH90 with UH-60M Black Hawk helicopters under LAND4507 Phase 1 Multi-Role Helicopter Rapid Replacement Project. Government is scheduled to consider this project for approval in the fourth quarter of 2022. The project continues to work with the Capability Manager to assure the Taipan Multi-Role Helicopter capability for the remainder of its life of type. Project SEA9100 Phase 1 improved Embarked Logistics Support Helicopter has been granted Second Pass Approval by government. The project will acquire 12 MH-60R Aircraft that will replace the Navy's existing MRH-90 Taipan fleet. Navy ceased MRH90 operations in May 2022. The Helicopter Aircrew Respirator System (HARS) has been granted Service release in the reporting period. The MRH Aircraft Maintenance Trainer was delivered to Army Aviation Training Centre Oakey in October 2021 and is now in service to support maintenance technician training. As previously reported, the Taipan Gun Mount has been granted Incorporation Approval and production batches are being delivered to and Accepted by the Project. Taipan Gun Mount Service Release is pending Operational Acceptance of the capability by the Capability Manager.
Materiel Capability/Scope Delivery Performance The project is focussed on delivering the following Capabilities to support the declaration of Final Materiel Release: • Taipan Gun Mount • Mission Troop Seat • Enhanced Cargo Hook • Aeromedical Evacuation – Mature • Helicopter Aircrew Respirator System, and • C17 Tactical Loading All capabilities listed are subject to ongoing detailed management against their scheduled delivery dates to support FMR and project closure. However, the capability outcomes required of the MRH system at FOC, are unlikely to be fully met. Materiel delivery as required under the Material Acquisition Agreement (MAA), is forecast to be achieved by FMR. FMR has been reviewed and is now forecast to be achieved in March 2023 as the technical and supportability issues are resolved to meet the final operational capability. At this time, it is expected that FMR will include the transfer of Project funding and contract management responsibilities concerning the completion of the remaining long lead time acquisition activities for Aero Medical Evacuation Equipment (AMEE) and C-17 Tactical Loading to the Army Aviation System Program Office (AASPO). MRH did not achieve the planned 2020/21 Financial Year Rate Of Effort (ROE) which continues to impact capability outcomes. ROE is a Sustainment Contract Key System Health Indicator and this achievement indicates that some Key Performance Indicators are below the required performance bands. Supportability and capability assurance costs present future capability risk and are unacceptably high out to current life-of-type. Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background The Additional Troop Lift project was first foreshadowed in the Defence White Paper 2000. The MRH Program consists of Phases 2, 4 and 6. Phase 2 was initially approved, providing 12 additional Troop Lift helicopters for Army. Phases 4 and 6 were subsequently approved; Phase 4 provided 28 helicopters as the replacement of the Australian Army's fleet of 34 S-70A-9 Black Hawk helicopters and Phase 6 provided six helicopters as the replacement of the RAN's fleet of Sea King helicopters, providing maritime support capability for Navy. The delivery of a 47th MRH90 was negotiated as part of Deed 2 to allow an aircraft to be used as a Ground Training Device. In total, the AIR9000 MRH Program has acquired 47 MRH90 aircraft and support systems. Support capabilities, such as Electronic Warfare Self Protection Support System, MRH Software Support Centre, MRH Instrumentation System and a Ground Mission Management System, were acquired along with training systems and in-service support. The Phase 2 Acquisition Contract was signed with Airbus Australia Pacific (Airbus AP) in June 2005 with the subsequent Sustainment and Program Agreement contracts signed in July 2005. In November 2005 the Defence Capability and Investment Committee agreed that the way forward was to seek a combined first and second pass approval for both Phases 4 and 6 as part of a single approval process. Cabinet endorsement was gained in April 2006 in a combined first and second pass process for Phase 4 and Phase 6. The agreed method of procurement, a two stage Contract Change Proposal (CCP), resulted in the execution of options contained in the Program Agreement for the procurement of additional aircraft approved under Phases 4 and 6. Initial CCPs for the Acquisition, Sustainment and Program Agreement Contracts were signed in June 2006. The three AIR9000 Phase 2, 4 and 6 contracts (Program Agreement Contract, Acquisition Contract and Sustainment Contract) incorporate the above CCPs. On acceptance of two MRH90, appropriate training, maintenance and supply support, an In Service Date of December 2007 was achieved with aircraft operating under a Special Flight Permit granted by the Chief of Air Force. This triggered the Sustainment Contract to come into effect and all three contracts are now currently active. The Commonwealth suspended acceptance of aircraft from Airbus AP in November 2010; deliveries recommenced in November 2011 after negotiations of a remediation plan (Deed of Agreement and CCPs) to address a number of engineering and reliability issues. Concurrent with the recommencement of aircraft acceptance in November 2011, the Minister for Defence announced that the project would be listed as a Project of Concern citing schedule, aircraft technical deficiencies and Airbus AP's performance.
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The Commonwealth has conducted subsequent negotiations with the prime contractor to review and settle commercial, technical and schedule issues resulting in a variation to the original contract signed on 9 May 2013, which has been termed 'Deed 2'. Deed 2, which came into effect on 1 July 2013 re-baselined the delivery schedule and addressed commercial and technical issues.

Uniqueness

The MRH90 aircraft is based upon the German Army variant of the NH90 Troop Transport Helicopter. The MRH90 design uses well established aerospace technologies, but has introduced new technologies into Army and Navy, primarily in the areas of composite structure, helmet mounted sight and display and fly-by-wire flight control systems.

The MRH Program is providing an MRH90 capability to two main users - Army and Navy. The capability delivery complexity this introduces has been mitigated through an agreement between Chief of Army and Chief of Navy. This provided the project with a single interface for introduction into service issues. (Navy ceased MRH90 operations in May 2022).

The MRH Program Office Design Acceptance Strategy is dependent upon the French Military Airworthiness Authority's (Direction Générale de l'Armement (DGA)) prior acceptance of the NH90 variants and certification recommendation for the MRH90. The DGA and other National Qualification Organisations' prior acceptance of European NH90s provide confidence for the ADF to leverage off common certification evidence for the MRH90.

Major Risks and Issues

The current open issues being managed by the project are:

- The achievement of the FMR has been delayed by the late delivery of role equipment including the Taipan Gun Mount, AME-Mature, and the Mission Troop Seat leading to an impact on cost, schedule and performance. The current design of the self-protection weapons system is not meeting capability requirements. The Taipan Gun Mount will replace the current self-protection weapons system.
- The initial AME solution is not suitable for high care or multiple extractions which will delay full AME capability until the AME-Mature capability is delivered.
- Spares will need to be procured to support the new role equipment and capabilities being developed for the MRH90.
- The MRH90 capability transition into 6 Avn Regt has been affected by delays in delivery of key capability and role equipment leading to a delay of MRH90 transition and extension of Black Hawk for 6 Avn Regt operations.

Other Current Related Projects/Phases

AIR9000 Phase 7 Helicopter Aircrew Training System (HATS): HATS will be an important link in the training continuum for inductees to the MRH 90 training system.

AIR9000 Phase 8 Future Naval Aviation Combat System: The acquisition of 24 helicopters to enable the Navy to deploy at least eight Seahawks embarked at sea across the ANZAC class frigates and the new Hobart class Air Warfare Destroyers. AIR90 Identification Friend or Foe (IFF): AIR90 has upgraded all MRH90 to the Mode 5 IFF waveform to maintain interoperability with US and NATO secure combat identification systems. The MRH related scope of AIR90 is in the project closure phase.

Project SEA9100 Ph1 Improved Embarked Logistics Support Helicopter: will expand and rationalise the support and logistics helicopter fleet consistent with the expectations for larger naval operations. The project will acquire 12 MH-60R Aircraft to replace the Navy's existing MRH-90 Taipan fleet.

Note

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

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Apr 04	Original Approved	3.3	1
Aug 04	Government second pass approval (Phase 2)	953.9	
Jun 06	Real Variation – Scope (Second Pass Phase 4 and 6)	2,565.6	2
		3,522.8	
Oct 06	Real Variation – Transfer	(219.0)	3
Oct 08, Nov 18, Jun 20	Real Variation – Transfer	(20.3)	4
	Real Variation – Scope	31.5	5
Sep 17	Real Variation – Budgetary Adjustment	(87.4)	6
Nov 18	Real Variation – Transfer	(0.2)	
		(295.2)	
Jul 10	Price Indexation	679.8	7
May 22	Real variation – Transfer of \$52.5m		
	Increase of 2021-22 budget	52.5	8
	Decrease of 2022 -23 budget	(52.5)	
Jun 22	Exchange Variation	(136.7)	
Jun 22	Total Budget	3,770.7	
	Project Expenditure		
Prior to Jul 21	Contract Expenditure – Airbus AP	(2,884.8)	
	Contract Expenditure – CAE		
	Australia	(192.4)	
	Contract Expenditure – Leonardo		
	Helicopters	(13.5)	
	Contract Expenditure – NAHEMA	(20.7)	
	Other Contract Payments / Internal Expenses		

		(349.8)	(3,461.3)	9
FY to Jun 22	Contract Expenditure – Airbus AP			
	Contract Expenditure – CAE Australia	(9.7)		
	Contract Expenditure – Leonardo Helicopters	(0.6)		
	Contract Expenditure – NAHEMA	(3.2)		
	Other Contract Payments / Internal Expenses	(2.8)		10
		(19.7)	(36.0)	
Jun 22	Total Expenditure		(3,497.1)	
Jun 22	Remaining Budget		273.6	

Notes

1	This project's original budget amount is that prior to achieving Second Pass Government Approval.
2	Incorporation of AIR9000 Phase 4 (Black Hawk Upgrade/Replacement) and AIR9000 Phase 6 (Maritime Support Helicopter).
3	The funding related to facilities elements of the project was managed by Defence Estate and Infrastructure Group (DE&IG).
4	Transfer to DE&IG for Facilities Infrastructure (\$20.0m), temporary amenities at 6 Avn Regt (\$0.2m) and for facility remediation at 5 Avn Regt (\$0.05m).
5	Real Cost Increase funding for Full Flight Mission Simulator.
6	Real Variation for Budget Adjustment (\$87.4m). This was offset and corrected by CFO by a subsequent Exchange Adjustment in the BORIS Bi-Annual update.
7	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$556.1m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$123.7m having been applied to the remaining life of the project.
8	The increase in FY 21/22 (with a corresponding decrease in FY 2022-23) was a result of cross-levelling and movements between FYs across multiple projects in order to accommodate funding requirements and capability deliverables within the Acquisition program. This has had no impact on the project budget overall.
9	Other expenditure: \$369.8m for operating expenditure, contractors, consultants and other capital expenditure not attributable to the aforementioned contracts.
10	Other expenditure: \$19.7m includes \$12.8m for Non-Prime Acquisition expenditure, \$4.5m for contractors and consultants, \$1.3m for Liquidated Damages and \$0.9m for operating expenditure.

2.2 A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
166.6	61.0	113.2	PBS to PAES: The variation is primarily due to delay to the delivery schedule delaying achievement of the Final Acceptance milestone. PAES to Final Plan: The variance is partially due to an increase in FY 2021-22 budget of \$52.5 million (with a corresponding decrease in FY 2022-23). This budget adjustment was as a result of movements between FYs across multiple projects in order to accommodate funding requirements and capability deliverables within the Acquisition program. This has had no impact on the project budget overall.
Variance \$m	(105.6)	52.2	Total Variance (\$m): (53.4)
Variance %	(63.4)	85.6	Total Variance (%): (32.1)

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2.2 B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(23.0)	Australian Industry	The variance is partially due to an increase in FY 2021-22 budget of \$52.5 million (with a corresponding decrease in FY 2022-23). This budget adjustment was as a result of movements between FYs across multiple projects in order to accommodate funding requirements and capability deliverables within the Acquisition program. This has had no impact on the project budget overall.
			Foreign Industry	
			Early Processes	
		(54.4)	Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
113.2	36.0	(77.2)	Total Variance	The remainder (\$24.9 million) was due to delays to the prime contract milestone achievements and other capability deliverables, and reduction in contractor and project management office costs.
		(68.2)	% Variance	

2.3 Details of Project Major Contracts

Details of Project Major Contracts						
Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 22 \$m			
Airbus AP	Jun 05	846.3	2,986.1	Variable	Standard Defence Contract	1,2,3,4
CAE Australia	Dec 07	180.5	193.2	Variable	Standard Defence Contract	4,5
NAHEMA	Oct 19	20.5	26.1	Variable	Non Standard Defence Contract (Multi Nation)	4,7
Leonardo Australia	Apr 18	16.3	16.8	Variable	Deed	4,6
Notes						
1	This contract also included an Electronic Warfare Self Protection Support System, MRH Software Support System, MRH Instrumented System and 23 Ground Mission Management System (GMMS) (4 Fixed GMMS, 7 Deployable GMMS, 1 Reduced, 9 Light and 2 interim GMMS). Contract Base date is January 2004.					
2	The MRH Instrumented System includes an airborne instrumentation pallet, some ground based instrumentation and three aircraft (from the total fleet of 47) that have provisions to have the instrumentation pallet installed.					
3	The increase from the original contract value is predominantly due to the increase in aircraft ordered and associated systems following government approved scope changes as described in Section 1.3. Since 1 July 2018, there have been key CCPs processed for an Aeromedical Evacuation Mature System (Phase 1), replacement Cargo Hooks, Heavy Stores Carriers (HSCs), Taipan Gun Mount, Fast Roping, Rappelling and Extracting System and External Auxiliary Fuel Tanks (EAFTs) Packaging.					
4	Contract value as at 30 June 2022 is based on actual expenditure to 30 June 2022 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
5	The Commonwealth conducted negotiations with the Contractor, to review and settle commercial and technical issues, in December 2015.					
6	The Commonwealth entered into contract with Leonardo Australia for the establishment of a helicopter transmission repair and overhaul facility.					
7	The Commonwealth entered into contract with the NATO Helicopter Design and Development, Production and Logistics Management Organization (NAHEMA) as a Contributing Participant in this multi nation contract for an Aircraft Maintenance Trainer (AMT).					
Contractor	Contracted Quantities as at		Scope	Notes		
	Signature	30 Jun 22				
Airbus AP	12	47	MRH90 Aircraft	1		
CAE Australia	2	2	Full Flight and Mission Simulator			
NAHEMA	1	1	Aircraft Maintenance Trainer			
Leonardo Australia	N/A	N/A	Repair and overhaul capability for helicopter transmission, including a repair facility, initial spares, personnel costs, and transmission pallets.			
Major equipment accepted and quantities to 30 Jun 22						
- Forty-seven MRH aircraft have been accepted to date. - Both Full Flight Mission Simulators have been accepted by the Commonwealth. - Aircraft Maintenance Trainer has been accepted.						
Notes						
1	The delivery of a 47th MRH90 was negotiated as part of Deed 2. This enables the use of one aircraft as a Ground Training Device without impacting the operational fleet.					

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	MRH aircraft - Phase 2	Aug 05	Oct 05	Sep 05	1	1
	MRH aircraft - Phase 4/6	Apr 07	Apr 07	May 07	1	1
	MRH Software Support Centre	N/A	Mar 07	Apr 07	1	
	Electronic Warfare Self Protection Support System	N/A	N/A	Nov 05	N/A	
	Ground based Mission planning and Management System	Oct 05	Oct 05	Feb 07	16	2
	MRH Instrumented System	N/A	Jun 07	Jul 07	1	
	Full Flight and Mission Simulators	May 08	Nov 08	Mar 09	9	3
System Design	Full Flight and Mission Simulators	Oct 08	Mar 09	Jun 09	8	3
Preliminary Design	MRH aircraft - Phase 2	Jan 06	Jan 06	Apr 06	3	
	MRH aircraft - Phase 4/6	N/A	N/A	Jun 08	N/A	
	MRH Software Support Centre	N/A	Jun 07	Jun 07	0	
	Electronic Warfare Self Protection Support System	Mar 06	Mar 06	May 06	2	
	Ground based Mission planning and Management System	Jul 06	Apr 07	Jun 07	11	2
	MRH Instrumented System	N/A	Jun 07	Jul 07	1	
	Full Flight and Mission Simulators	Feb 09	Sep 09	Oct 09	8	3
Critical Design	MRH aircraft - Phase 2	May 06	May 06	Jun 06	1	
	MRH aircraft - Phase 4/6	Aug 08	N/A	Oct 08	2	
	MRH Software Support Centre	N/A	Oct 07	Sep 07	(1)	
	Electronic Warfare Self Protection Support System	Sep 06	Sep 06	Oct 06	1	
	Ground based Mission planning and Management System	Nov 06	Nov 07	Jul 08	20	2
	MRH Instrumented System	N/A	Jun 08	Jun 08	0	
	Full Flight and Mission Simulators	Aug 09	Feb 10	Apr 10	6	3
Notes						
1	Delays in the Systems Engineering process have resulted from the more developmental nature of the aircraft system, with the MRH90 variant being unique in some ways.					
2	Ground Mission Management System software delays are directly attributable to aircraft schedule delivery slip.					
3	Full Flight Mission Simulators design review delays stem primarily from slow Contractor derivation of requirements into a suitable System and Subsystem Specification. This was compounded by delays in the prime contractor establishing a vital subcontract with the aircraft manufacturer.					

3.2 Contractor Test and Evaluation Progress

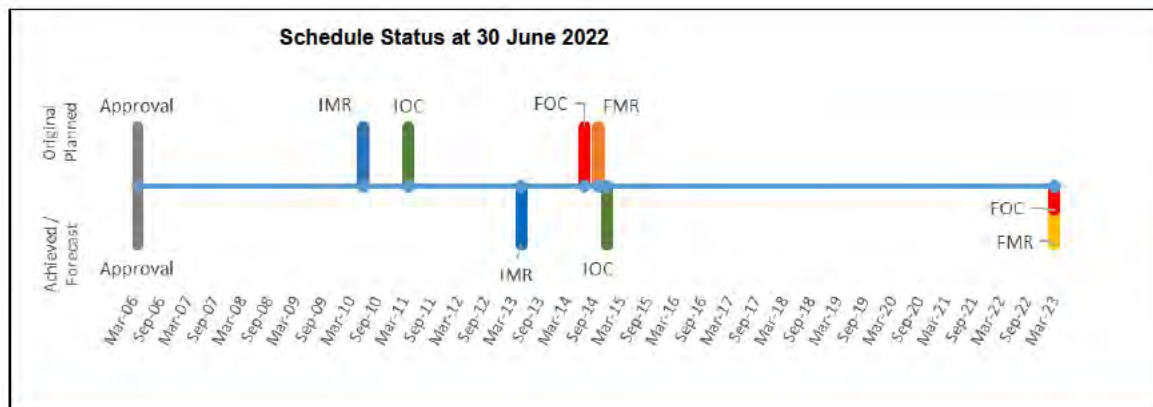
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	MRH aircraft - Phase 2	Jul 06	Nov 06	Dec 06	5	
	MRH aircraft - Phase 4/6	N/A	N/A	N/A	N/A	1
	MRH Software Support Centre	N/A	Oct 08	Nov 08	1	
	Electronic Warfare Self Protection Support System	N/A	N/A	Nov 07	N/A	
	Ground based Mission planning and Management System	N/A	N/A	N/A	N/A	2
	MRH Instrumented System	Nov 08	May 09	Dec 09	13	3
	Full Flight and Mission Simulators	Jun 11	Sept 11	Sep 11	4	4
Acceptance	Type Acceptance Review Special Flight Permit 1	Oct 07	N/A	Dec 07	2	5
	Australian Military Type Certificate	Dec 08	Dec 10	Apr 13	52	6
	Full Flight and Mission Simulator #1	Jul 12	Aug 13	Aug 13	13	7
	Full Flight and Mission Simulator #2	Jan 13	Oct 14	Oct 14	21	7
	Ground based Mission planning and Management System Lot 1	Feb 09	Sep 09	Dec 09	10	8
	Ground Mission planning and Management System Lot 2	Feb 09	Dec 09	Apr 10	14	8
	Ground Mission planning and Management System Lot 3	Sep 10	Sep 10	Mar 13	30	8
	MRH Software Support Centre	Feb 09	Feb 09	Dec 08	(2)	
	Electronic Warfare Self Protection Support System	Dec 07	Dec 07	Dec 07	0	
	MRH Instrumented System	Mar 10	Jun 10	Sep 11	18	9
	MRH aircraft #01 (First aircraft)	Dec 07	N/A	Dec 07	0	
Aircraft Acceptance	MRH aircraft #05 (First Australian	Dec 08	N/A	Dec 08	0	

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	built aircraft)					
	MRH aircraft #46	Jul 14	Jun 17	Jun 17	35	10
	MRH aircraft #47 (Final Aircraft)	Jul 17	Jul 17	Jul 17	0	
Notes						
1	Phases 4/6 were rolled into the MRH Program from aircraft 13 onwards, which increased the number of aircraft from 12 to 46.					
2	The acceptance and test-readiness of the Ground Mission Management System (GMMS) was broken into six lots post contract signature. The lots comprise of GMMS deliverables that have been aligned to aircraft delivery – location and baseline. The acceptance of GMMS lots are listed in the acceptance area of this table.					
3	The 13 month delay to closure of Test Readiness Review was due to electronic compatibility test design issues not resolved until November 2009. This delay was mitigated by the development of an interim MRH Instrumentation System capability used for a test activity in October 2009.					
4	Achieved through completion of Test Readiness Review for Contractor In-Plant Test and Evaluation in September 2011.					
5	The first Airworthiness Board (for a Special Flight Permit (SFP)) was conducted in November 2007 and a SFP was granted in December 2007. There have been a number of SFP extensions to allow flight trials of the aircraft as it further develops. The most recent SFP was granted in December 2012 and expired in April 2013.					
6	Achievement of the Australian Military Type Certificate proved problematic due to technical and reliability issues, leading to insufficient levels of the Rate of Effort. Rate of Effort was required to validate that in-service support arrangements for the fleet are sufficient to cope with current numbers of aircraft and are growing in maturity to meet fleet requirements. Australian Military Type Certificate and Service Release was achieved 17 April 2013.					
7	Refers to acceptance of Full Flight Mission Simulators in Oakey and Townsville. Delays have been incurred due to the late delivery of facilities and an underestimation of the time required to implement the design.					
8	Lot 1, 2 and 3 have been altered to accommodate the variation in aircraft delivery date and configuration.					
9	The MRH instrumented system incurred delays due to technical and supportability issues that resulted in contractual non-conformances. These non-conformances were rectified by September 2011.					
10	The MRH90 program stopped accepting aircraft in November 2010 due to a number of technical and reliability issues. The Commonwealth recommenced accepting aircraft in November 2011 after negotiating a remediation plan to address a number of engineering and contractual issues; however acceptance of aircraft was again suspended in February 2012 pending resolution of another technical concern related to the aircraft's cargo hook. In May 2012 the Commonwealth agreed to accept a further four aircraft based on Airbus AP's agreement to the commercial terms associated with the rectification of the cargo hook issue. Scheduled aircraft acceptance recommenced in June 2012 with aircraft #46 accepted in June 2017 and the final aircraft (#47) accepted in July 2017.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item		Original Planned	Achieved /Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Army/Navy	Jun 10	May 13	35	1
Initial Operational Capability (IOC)	Navy	Jul 10	Feb 15	55	2
	Army	Apr 11	Dec 14	44	3
Final Materiel Release (FMR)	Army/Navy	Oct 14	Mar 23	101	4
Final Operational Capability (FOC)	Navy	Dec 12	-	-	5
	Army	Jul 14	Mar 23	104	4,5
Notes					
1	The MRH90 program stopped accepting aircraft in November 2010 due to a number of technical and reliability issues. This has impacted the achievement of capability milestones. The Commonwealth recommenced accepting aircraft in November 2011 after negotiating a remediation plan to address a number of engineering and reliability issues; however acceptance of aircraft was again suspended in February 2012 pending resolution of another technical concern related to the aircraft's cargo hook. In May 2012 the Commonwealth agreed to accept a further four aircraft based on Airbus AP's agreement to the commercial terms associated with the rectification of the cargo hook issue. Scheduled aircraft acceptance recommenced in June 2012 with the final aircraft (#47) accepted in July 17. IMR was declared on 13 May 2013, based on 6 Product Baseline 003 aircraft.				
2	Affected by delays to IMR. (Refer to Note 1 above)				
3	Affected by delays to IMR. (Refer to Note 1 above)				
4	Dates directly impacted by delay to IMR. (Refer to Note 1 above). The remediation of technical deficiencies and issues through replacement or re-design will draw upon significant engineering, logistic and commercial resources and will therefore form the critical path toward achieving FMR. The FMR and FOC dates have been reviewed to reflect this. Ongoing delays to deliver capabilities has resulted in FMR being rescheduled to March 2023.				
5	FOC is now only forecast as a single date. The last capability subset is to be realised by Army as Operational Capability Special Operations 2 (OCS2) when declared by Capability Manager, which is expected to trigger FOC. Ongoing delays to deliver capabilities have resulted in FOC being rescheduled to March 2023. FOC declaration may include some limitations as per Section 4.				



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 capability outcomes required of the MRH system at FOC are unlikely to be fully met. As a consequence, Army is developing an option for rapid replacement under LAND4507 Phase 1. Materiel delivery as required under the MAA is forecast to be achieved by FMR.
	Amber: Supportability and capability assurance costs to life-of-type present future capability risk.
	Red: Rate of Effort (ROE) achievement continues to impact capability outcomes. The forecast cost of ownership out to the current life-of-type is unacceptably high.

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)	- Six Product Baseline 003 aircraft with associated role equipment to support Initial Operational Capability milestones; - Issue of Australian Military Type Certificate and Service Release; - Completion of all MRH90 facilities at Townsville, Oakey and Nowra; - Establishment of mature planned contractor support to maintenance and logistics; and - Provision and certification of Mission Management systems necessary for Initial Operational Capability milestones. Initial Materiel Release was achieved in May 2013.	Achieved
Initial Operational Capability (IOC)	- Achievement of Operational Capability Maritime Support 1 (OCM1) – a single flight embarked for limited daytime operations. - Achievement of Operational Capability Amphibious 1 (OCA1) Milestones – deployment of a single troop (three aircraft) in a permissive environment. Initial Operational Capability was achieved in Army – December 2014 and Navy – February 2015.	Achieved
Final Materiel Release (FMR)	- Forty-seven aircraft configured to the contractual baseline including configuration amendments specified in Deeds 1 and 2 (one aircraft to be used as a Maintenance Training Device); - Role equipment delivered to support aircraft. Role equipment completion criteria is to include the transfer of Project funding and contract management responsibilities concerning the completion of the remaining long lead time acquisition activities for Aeromedical Evacuation Equipment (AMEE) to the Army Aviation System Program Office (AASPO);	Not yet achieved

[DLM removed]

	3. A mature sustainment organisation capable of discharging all in-service responsibilities; including logistic and training requirements; 4. Mature training system with all training devices accepted, supported by an effective, functioning training organisation. Training completion criteria to include the transfer of Project funding and contract management responsibilities concerning the completion of the remaining long lead time acquisition activities for an additional Aircraft Maintenance Trainer (AMT) to AASPO; and 5. All facilities and support equipment, required to support the capabilities accepted. FMR is forecast to be achieved in March 2023.	
Final Operational Capability (FOC)	FOC is expected to be declared on achievement of all Operational Capability Milestones providing the following capabilities. 1. Operational Capability Maritime (OCM3) - Three embarked flights (<i>Note: OCM3 will not be declared as a result of Navy ceasing MRH Operations</i>) 2. Operational Capability Land (OCL3) - Two Airmobile Squadrons 3. Operational Capability Amphibious (OCA4) - One Squadron capable of supporting amphibious operations 4. Operational Capability Special Operations Support (OCS2) - One Special Operations Aviation Task Unit- Final Operational Capability is forecasted to be achieved in March 2023. FOC declaration may include some limitations as per Section 4.	Not yet 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
All Major project risks are closed or are being managed as issues.	N/A
Emergent Risks (risk not previously identified but has emerged during 2021–22)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

Description	Remedial Action
The achievement of the FMR has been delayed by the late delivery of supplies according to the contracted schedule, leading to an impact on cost, schedule and performance	1. Formation of Cabin Integration Working Group; 2. Industry Prototyping; 3. Accept incremental improvements; 4. Use of Liquidated Damages as offset 5. Leverage NATO Helicopters 90 (NH90) community solutions 6. MAA v2.5 (approved 9 July 2019) approved a re-baselined FMR 7. Ongoing delays require further review of the MAA. The MAA is to be reviewed and updated at its next annual review.
The initial AME solution is not suitable for high care or multiple extractions which will delay the final solution delivery schedule.	1. An Aero-Medical Evacuation (AME) capability working group was initially formed and has now evolved into an Integrated Project Team (IPT). 2. The functional requirements specification has been agreed with Commonwealth stakeholders and Industry. 3. Phase 1 of the AME solution is in contract. 4. Industry has been contracted to conduct an Advanced Change Study Notice to inform and de-risk the solution for the remaining AME capability to be delivered. After agreement of the results of the ACSN the agreed solution may be contracted.
The current design of the self-protection weapons system is not meeting capability requirements.	1. The Taipan Gun Mount will replace the current self-protection weapons system. 2. The Taipan Gun Mount (TGM), which is capable of mounting both the M134D Mini-Gun and Mag-58 General Purpose Machine Gun, design and manufacture was procured by the project to meet the specified MRH Capability Requirements. 3. Maintenance Training for Armourers on M134D was funded by the project and has been conducted. 4. TGM has achieved Incorporation Approval and all artefacts supporting Service Release have been submitted. 5. This issue will be closed when the TGM is granted Service Release. Contingency has been applied (committed) in support of this issue.
Spares will need to be procured to support the new role equipment and capabilities being developed for the MRH90	1. As new Role Equipment is developed for MRH90 spares to support the new items are being procured.

	2. Spares Assessments are planned to be conducted after in-service use of the role equipment to ensure that spares are procured on the basis of actual failure rates in use rather than forecast failure rates. 3. This issue will be closed when MRH90 role equipment has been granted Service Release. Contingency has been applied (committed) in support of this issue.
The MRH90 capability transition into 6 Avn Regt has been affected by delays in delivery of key capability and role equipment leading to a delay of MRH90 transition and extension of Black Hawk for 6 Avn Regt operations.	1. Form 6 Avn Regt Integrated Project Team. 2. Monitor delivery of key capabilities. 3. Mitigate delays including through Industry collaboration. 4. Implement solution for each deliverable. Contingency has been applied (committed) in support of this issue. This transition has been completed and the issue will be closed.

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
Early establishment of the Sustainment organisations. Both Commonwealth and Industry teams need to be set up well in advance of the first of the deliveries. The provision of accepted aircraft to an Operational Squadron has led to a range of lessons in regard to command and control of assets and people, stakeholder management and the relationship with Industry.	Resourcing
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).	Contract Management
The MRH Program was incorrectly viewed as a Military off-the-Shelf (MOTS) acquisition. Lessons associated with intended MOTS 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.	Off-the-shelf Equipment
Better arrangements should be put in place to ensure appropriate considerations of contractor performance occur before the Commonwealth enters into similar contracts.	Contract Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2022

Unit	Name
Division	Rotary, Aerospace and Surveillance Systems
Branch	Army Aviation Systems Branch

Project Data Summary Sheet¹

Project Number	AIR9000 Phase 2, 4 and 6
Project Name	MULTI-ROLE HELICOPTER
First Year Reported in the MPR	2008-09
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Apr 06
Government 2nd Pass Approval	Aug 04 (Phase 2) Apr 06 (Phases 4 and 6)
Budget at 2nd Pass Approval	\$3,522.8m
Total Approved Budget (Current)	\$3,654.5m
2022-23 Budget	\$91.6m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

The Multi-Role Helicopter (MRH) Program was a key component of the Australian Defence Force (ADF) Helicopter Strategic Master Plan that sought to rationalise the number of helicopter types in ADF service. The MRH Program consisted of three phases of AIR9000 Phase 2, Phase 4 and Phase 6. Phase 2 (12 helicopters) was the acquisition of an additional Squadron of troop lift aircraft for the Australian Army, Phase 4 (28 helicopters) was to replace Army's S-70A-9 Black Hawk helicopters in the Air Mobile and Special Operations roles, and Phase 6 (six helicopters) replaced Royal Australian Navy (RAN) SK50 Sea King helicopters in the Maritime Support Helicopter role. All three phases were grouped under the AIR9000 MRH Program.

The delivery of a 47th MRH-90 Taipan was negotiated as part of Deed 2 to allow an aircraft to be used as a Ground Training Device.

Project SEA9100 Phase 1 – Improved Embarked Logistics Support Helicopter (SEA9100 Phase 1) will acquire 12 MH-60R Seahawk aircraft that will replace the Navy's MRH-90 Taipan fleet. Navy ceased MRH-90 Taipan operations in May 2022.

On 18 January 2023, following Government Combined Pass approval, Defence announced that the LAND4507 Phase 1 – MRH Rapid Replacement Project (LAND4507 Phase 1) would acquire 40 UH-60M Black Hawk to replace the Army's MRH-90 Taipan fleet from 2023.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2023, Financial Year (FY) 2022-23 expenditure was \$77.5m against FY 2022-23 budget of \$91.6m. The variance is due to delays to the Non-Prime Acquisition activities achievements and other capability deliverables, and reduction in contractor and project management office costs.

Project Financial Assurance Statement

As at 30 June 2023, project AIR9000 Phase 2, 4 and 6 has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget, including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has committed contingency in previous Financial Years primarily for the treatment of various supportability and performance risks such as a replacement Mission Management System including Aviation Mission System (AMS) hardware procurement and Contractor Support Services, Common Mission Management System, System Service Order Agreement and Project management support services. The commitment of contingency is directly in support of the transition of the MRH-90 Taipan into the 6th Aviation Regiment. During FY 2022-23, the project has utilised contingency funding attributed to aforementioned activities, which were drawn from previously approved contingency commitments. No additional contingency funding was sought or approved in FY 2022-23.

Schedule Performance

As a result of the Deed 2 negotiations with Airbus Australia Pacific (The Contractor), the aircraft delivery was rescheduled resulting in the final aircraft being accepted in July 2017. The first 13 aircraft required an in-service retrofit to bring them to the contracted acquisition capability baseline; the final retrofit was completed in March 2016. Both Full Flight Mission Simulators have been accepted.

Remediation configuration management issues of production aircraft slowed the acceptance of production aircraft in 2015, this in

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.

turn slowed the rate of capability growth.

Due to reliability, sustainability and design shortfalls, the Chief of Army delayed the introduction of MRH-90 Taipan into 6th Aviation Regiment by three years and delayed the withdrawal of S-70A-9 Black Hawks to mitigate the risk to capability. In September 2017 the Chief of Army agreed to continue the transition of MRH-90 Taipan into 6th Aviation Regiment. The transition commenced in January 2019 and concluded with the cessation of S-70A-9 Black Hawk operations in December 2021.

The transition of MRH-90 Taipan into 6th Aviation Regiment has been supported by the project through the funding of facilities works, procurement of support and test equipment and additional spares.

Project SEA9100 Phase 1 – Improved Embarked Logistics Support Helicopter has been granted Second Pass Approval by Government. The project will acquire 12 MH-60R Seahawk aircraft that will replace the Navy's existing MRH-90 Taipan fleet. Navy ceased MRH-90 Taipan operations in May 2022.

On 18 January 2023, following Government Combined Pass Approval, Defence announced that LAND4507 Phase 1 – MRH Rapid Replacement within the Battlefield Aviation Program would acquire 40 UH-60M Black Hawks to replace Army's MRH-90 Taipan from 2023.

Following the approval of LAND4507 Phase 1, the MRH Program Management Steering Group (PMSG) confirmed that Final Operational Capability (FOC) will not be declared for MRH-90 Taipan.

Due to ongoing capability delays and technical deficiencies, the Final Materiel Release (FMR) milestone has been delayed. FMR forecast dates have been updated to September 2023.

The following capability milestones have been declared:

- Initial Operational Capability (IOC); Army (Operational Capability Amphibious (OCA) first (OCA1)) – December 2014; Navy (Operational Capability Maritime (OCM) first (OCM1)) – February 2015.
- Operational Capability Land (OCL) first (OCL1) September 2015; second (OCL2) – March 2016; and, third (OCL3) – February 2018.
- OCA; second and third (OCA2/3) – December 2015.

Declared capability milestones have regressed due to MRH-90 Taipan system underperformance.

The following capability milestones have not been declared:

- OCM second and third (OCM2/3).
- OCA four (OCA4).
- Operational Capability Special (OCS) one and two (OCS1/2).

As previously reported, the Taipan Gun Mount (TGM) was granted incorporation approval and production batches were delivered to and accepted by the project. However, TGM will not be granted service release as it does not meet the capability requirement due to unacceptable operational and airworthiness implications for crew and passenger seating, egress and aircraft self-protection.

Project closure activities have commenced and the project will be closed as soon as possible after FMR is declared.

Materiel Capability/Scope Delivery Performance

Following the approval of LAND4507 Phase 1, the project is focused on minimising expenditure and achieving Project Closure as soon as practicable. The following outstanding capabilities will be cancelled or deliveries reduced prior to the declaration of FMR:

- TGM.
- Mission Troop Seat.
- Enhanced Cargo Hook.
- Aeromedical Evacuation – Mature and,
- C17 Tactical Loading.

All capabilities listed are subject to ongoing contractual negotiations for their cancellation or reduction in scope to support FMR and Project Closure. Materiel delivery as required under the Materiel Acquisition Agreement (MAA) will not be fully met, as directed by the PMSG. The reduced materiel delivery is expected to be achieved by FMR.

FMR has been reviewed and is now forecast to be achieved in September 2023 as the technical and supportability issues around the outstanding reduced materiel deliveries are resolved and contracted.

The MRH-90 Taipan has not been able to meet the ADF's capability requirements and will be replaced by MH-60R Seahawk through Project SEA9100 Phase 1 Improved Embarked Logistics Support Helicopter, and UH-60M Black Hawk by LAND 4507 Phase 1 MRH Rapid Replacement Project.

Note

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

1.3 Project Context

Background

The Additional Troop Lift project was first foreshadowed in the Defence White Paper 2000. In total, the AIR9000 MRH Program under all phases has acquired 47 MRH-90 aircraft and support systems. Support capabilities include Electronic Warfare Self Protection Support System, MRH Software Support Centre, MRH Instrumentation System and a Ground Mission Management System, training systems and in-service support.

The AIR9000 Phase 2 Acquisition Contract was signed for 12 additional Troop Lift Helicopters for Army with Airbus Australia Pacific in June 2005 with the subsequent Sustainment and Program Agreement contracts signed in July 2005. First and Second Pass approval for AIR 9000 Phases 4 and 6 were granted in April 2006; AIR9000 Phase 4 provided 28 helicopters for the replacement of the Australian Army's fleet of 34 S-70A-9 Black Hawk helicopters and AIR900 Phase 6 provided six helicopters as the replacement of the RAN's fleet of SK50 Sea King helicopters, providing maritime support capability for Navy.

Defence's acceptance of two MRH-90 that included appropriate training, maintenance and supply support resulted in achievement of In Service Date of December 2007. The aircraft operated under a Special Flight Permit (SFP) granted by the Chief of Air Force with the Sustainment Contract coming into effect and all three contracts are now currently active.

The Commonwealth suspended acceptance of aircraft from Airbus Australia Pacific in November 2010 due to a number of engineering and reliability issues. Deliveries recommenced in November 2011 after a remediation plan by Airbus Australia Pacific addressed these issues. The Minister for Defence announced on 28 November 2011 that the project would be listed as a Project of Concern (POC) citing schedule, aircraft technical deficiencies and Airbus Australia Pacific's performance. The project will remain a POC until Project Closure.

The Commonwealth has conducted subsequent negotiations with The Contractor to review and settle commercial, technical and schedule issues with the Deed 2 contract signed on 9 May 2013. The Deed 2 came into effect on 1 July 2013.

The project has received goods and services under the Liquidated Damages provisions of the contract.

Uniqueness

The MRH-90 Taipan aircraft is based upon the German Army variant of the NH90 Troop Transport Helicopter. The MRH-90 Taipan design uses well established aerospace technologies, but has introduced new technologies into Army and Navy, primarily in the areas of composite structure, helmet mounted sight and display, and fly-by-wire flight control systems.

The MRH Program provided a MRH-90 Taipan capability to two main users - Army and Navy. The capability delivery complexity was mitigated through an agreement between Chief of Army and Chief of Navy. This provided the project with a single interface for introduction into service issues. Navy ceased MRH-90 Taipan operations in May 2022.

The MRH Program Office Design Acceptance Strategy is dependent upon the French Military Airworthiness Authority's (Direction Générale de l'Armement (DGA)) prior acceptance of the NH90 variants and certification recommendation for the MRH-90. The DGA and other National Qualification Organisations prior acceptance of European NH90s provide confidence for the ADF to leverage off common certification evidence for the MRH-90.

Major Risks and Issues

All risks have been closed and the project is currently managing the following Issues:

Capability related:

- The current design of the protection system is not meeting capability requirements.
- Spares will need to be procured to support the new role equipment and capabilities being developed.

Schedule related:

- A delay to FMR due to delivery of supplies not adhering to the contracted schedule.
- A delay to the final solution delivery schedule due to initial solution not being suitable for high care or multiple extractions.

Other Current Related Projects/Phases

AIR9000 Phase 7 – Helicopter Aircrew Training System (HATS). HATS will be an important link in the training continuum for inductees to the MRH-90 training system.

AIR9000 Phase 8 – Future Naval Aviation Combat System. The acquisition of 24 helicopters to enable the Navy to deploy at least eight MH-60R Seahawks embarked at sea across the Anzac Class Frigates and the new Hobart Class Air Warfare Destroyers.

AIR90 – Identification Friend or Foe (IFF). AIR90 has upgraded all MRH-90 Taipan to the Mode 5 IFF waveform to maintain interoperability with United States and North Atlantic Treaty Organisation (NATO) secure combat identification systems. The MRH related scope of AIR90 is in the project closure phase.

SEA9100 Phase 1 – Improved Embarked Logistics Support Helicopter. This project expands and rationalises the support and logistics helicopter fleet consistent with the expectations for larger naval operations. The project will acquire 12 MH-60R Seahawk aircraft to replace the Navy's existing MRH-90 Taipan fleet.

LAND4507 Phase 1 – MRH Rapid Replacement within the Battlefield Aviation Program. This project will acquire 40 UH-60M Black Hawk to replace Army's MRH-90 Taipan fleet from 2023.

Note

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

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Apr 04	Original Approval	3.3	1
Aug 04	Government Second Pass Approval (Phase 2)	953.9	
Jun 06	Real Variation – Scope (Second Pass Phase 4 and 6)	2,565.6	2
	Total at Second Pass Approval	3,522.8	
Oct 06	Real Variation – Transfer	(219.0)	3

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.

Oct 08, Nov 18, Jun 20	Real Variation – Transfer	(20.3)	4
Oct 08	Real Variation – Scope	31.5	5
Sep 17	Real Variation – Budgetary Adjustment	(87.4)	6
Mar 23	Real Variation – Transfer	(117.0)	7
		(412.2)	
Jul 10	Price Indexation	679.8	8
Nov 22	Exchange Variation	(135.9)	
Jun 23	Total Budget	3,654.5	
	Project Expenditure		
Prior to Jul 22	Contract Expenditure – Airbus Australia Pacific	(2895.7)	
	Contract Expenditure – CAE Australia Pty Ltd	(193.0)	
	Contract Expenditure – NATO Helicopter Management Agency	(23.5)	
	Contract Expenditure – Leonardo Australia Pty Ltd	(16.8)	
	Other Contract Payments / Internal Expenses	(368.2)	9
		(3,497.2)	
FY to Jun 23	Contract Expenditure – Airbus Australia Pacific	(62.6)	
	Contract Expenditure – NATO Helicopter Management Agency	(0.6)	
	Other Contract Payments / Internal Expenses	(14.3)	10
		(77.5)	
Jun 23	Total Expenditure	(3,574.7)	
Jun 23	Remaining Budget	(79.8)	

Notes

1	This project's original budget amount is that prior to achieving Government Second Pass Approval.
2	Incorporation of AIR9000 Phase 4 (Black Hawk Upgrade/Replacement) and AIR9000 Phase 6 (Maritime Support Helicopter).
3	The funding related to facilities elements of the project was managed by Defence Estate and Infrastructure Group (DE&IG), now known as Security and Estate Group (SEG).
4	Transfer to DE&IG (now known as SEG) for Facilities Infrastructure (\$20.0m), temporary amenities at 6 th Aviation Regiment (\$0.2m) and for facility remediation at 5 th Aviation Regiment (\$0.05m).
5	Real Cost Increase funding for Full Flight Mission Simulator.
6	Real Variation for Budget Adjustment (\$87.4m). This was offset and corrected by Defence Finance Group by a subsequent Exchange Adjustment in the Finance Management Information Group Bi-Annual update.
7	Related to the contribution of AIR9000 Phase 2 to LAND4507 Phase 1 as per the approved cost model. LAND4507 Phase 1 received Government Combined Pass Approval in late 2022. The budget journal to transfer \$117.0m from AIR9000 Phase 2 was processed in March 2023.
8	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$556.1m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$123.7m having been applied to the remaining life of the project.
9	Other Contract Payment/Internal Expenses comprise of: Capital expenses related to purchase of Specialist Military Equipment (\$209.8m), Contractors and Consultants (\$97.5m), Operating expenditure (\$45.1m), and Other capital expenses (\$15.8m) not attributable to the aforementioned major contracts.
10	Other Contract Payment/Internal Expenses comprise of: (\$5.9m) for Non-Prime Acquisition expenditure, (\$3.9m) for Liquidated Damages, (\$3.7m) for Contractors and Consultants and (\$0.8m) for Operating expenditure related to Resident Project Team.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Materiel Movements
116.0	106.3	91.6	<u>Portfolio Budget Statement (PBS) to Portfolio Additional Estimate Statement (PAES)</u> : The variance is primarily due to rescheduled activities as a result of delays in prime contract milestone achievement and other capability deliverables. <u>PAES to Final Plan</u> : The variance is primarily due supply chain issues delaying planned equipment procurements for the AMS.
Variance \$m	(9.8)	(14.7)	Total Variance (\$m): (24.4)
Variance %	(8.4)	(13.8)	Total Variance (%): (21.0)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(14.0)	Australian Industry	As at 30 June 2023, FY 2022-23 expenditure was \$77.5m against a budget of \$91.6m. The variance is due to delays to the Non-Prime Acquisition activities achievements and other capability deliverables, and reduction in contractor and project management office costs.
		-	Foreign Industry	
		-	Early Processes	
		(0.2)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
91.6	77.5	(14.2)	Total Variance	
		(15.5)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
Airbus Australia Pacific	Jun 05	846.3	2,959.3	Variable	Standard Defence Contract	1, 2, 3, 4
CAE Australia Pty Ltd	Dec 07	180.5	193.1	Variable	Standard Defence Contract	4, 5
NATO Helicopter Management Agency	Oct 19	20.5	25.7	Variable	Non Standard Defence Contract (Multi Nation)	4, 6
Leonardo Australia Pty Ltd	Apr 18	16.3	16.8	Variable	Deed	4, 7
Notes						
1	This contract also included an Electronic Warfare Self Protection Support System, MRH Software Support System, MRH Instrumented System and 23 Ground Mission Management System (GMMS) (four Fixed GMMS, seven Deployable GMMS, one Reduced, nine Light and two interim GMMS). Contract Base date is January 2004.					
2	The MRH Instrumented System includes an airborne instrumentation pallet, some ground based instrumentation and three aircraft (from the total fleet of 47) that have provisions to have the instrumentation pallet installed.					
3	The increase from the original contract value is predominantly due to the increase in aircraft ordered and associated systems following government approved scope changes as described in Section 1.3. Since 1 July 2018, there have been key Contract Change Proposals processed for an Aeromedical Evacuation Mature System (Phase 1), replacement Cargo Hooks, Heavy Stores Carriers, TGM, Fast Roping, Rappelling and Extracting System and External Auxiliary Fuel Tanks Packaging.					
4	Contract value as at 30 June 2023 is based on actual expenditure to 30 June 2023 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
5	The Commonwealth conducted negotiations with The Contractor, to review and settle commercial and technical issues in December 2015.					
6	The Commonwealth entered into contract with the NATO Helicopter Management Agency for the NH90 Design and Development, Production and Logistics Management Organization as a Contributing Participant in this multi-nation contract for an Aircraft Maintenance Trainer (AMT).					
7	The Commonwealth entered into contract with Leonardo Australia Pty Ltd for the establishment of a helicopter transmission repair and overhaul facility.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
Airbus Australia Pacific	12	47	MRH-90 Taipan aircraft.	1
CAE Australia Pty Ltd	2	2	Full Flight and Mission Simulator.	-
NATO Helicopter Management Agency	1	1	Aircraft Maintenance Trainer.	-
Leonardo Australia Pty Ltd	N/A	N/A	Repair and overhaul capability for helicopter transmission, including a repair facility, initial spares, personnel costs, and transmission pallets.	-
Major equipment accepted and quantities to 30 Jun 23				
47 MRH-90 Taipan aircraft have been accepted to date. - Both Full Flight Mission Simulators have been accepted by the Commonwealth. - AMT has been accepted.				
Notes				
1	The delivery of a 47 th MRH-90 Taipan was negotiated as part of Deed 2. This enables the use of one aircraft as a Ground Training Device without impacting the operational fleet.			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets, where appropriate, to identify Local Industry Capability which is captured in CAE Australia Pty Ltd's AIC Plan in support of development of skills and techniques to provide ongoing support and adaptation of the Full Flight and Mission Simulators during the design, development, manufacturing and delivery stage activities; and, in Leonardo Australia Pty Ltd's AIC Plan supporting the establishment of the Helicopter Transmission Repair and Overhaul capability including all necessary transfer of technology, skills and intellectual property required in performing MRH-90 Main Gear Box Repair and Overhaul activities, including upgrade requirements.
The project has no contracted AIC targets for Airbus Australia Pacific as AIC obligations that were removed from the MRH Acquisition Contract and have no contracted AIC targets for NATO Helicopter Management Agency as the project was a contributing participant in a multi nation collective contract.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Requirements	MRH aircraft - Phase 2	Aug 05	Oct 05	Sep 05	1	1
	MRH aircraft - Phase 4/6	Apr 07	Apr 07	May 07	1	1
	MRH Software Support Centre	N/A	Mar 07	Apr 07	1	-
	Electronic Warfare Self Protection Support System	N/A	N/A	Nov 05	N/A	-
	Ground based Mission Planning and Management System	Oct 05	Oct 05	Feb 07	16	2
	MRH Instrumented System	N/A	Jun 07	Jul 07	1	-
	Full Flight and Mission Simulators	May 08	Nov 08	Mar 09	9	3
System Design	Full Flight and Mission Simulators	Oct 08	Mar 09	Jun 09	8	3
Preliminary Design	MRH aircraft - Phase 2	Jan 06	Jan 06	Apr 06	3	-
	MRH aircraft - Phase 4/6	N/A	N/A	Jun 08	N/A	-
	MRH Software Support Centre	N/A	Jun 07	Jun 07	0	-
	Electronic Warfare Self Protection Support System	Mar 06	Mar 06	May 06	2	-
	Ground based Mission Planning and Management System	Jul 06	Apr 07	Jun 07	11	2
	MRH Instrumented System	N/A	Jun 07	Jul 07	1	-
	Full Flight and Mission Simulators	Feb 09	Sep 09	Oct 09	8	3
Critical Design	MRH aircraft - Phase 2	May 06	May 06	Jun 06	1	-
	MRH aircraft - Phase 4/6	Aug 08	N/A	Oct 08	2	-
	MRH Software Support Centre	N/A	Oct 07	Sep 07	(1)	-
	Electronic Warfare Self Protection Support System	Sep 06	Sep 06	Oct 06	1	-
	Ground based Mission Planning and Management System	Nov 06	Nov 07	Jul 08	20	2
	MRH Instrumented System	N/A	Jun 08	Jun 08	0	-
	Full Flight and Mission Simulators	Aug 09	Feb 10	Apr 10	6	3
Notes						
1	Delays in the Systems Engineering process have resulted from the developmental nature of the aircraft system, with the MRH-90 variant being unique.					
2	GMMS software delays are directly attributable to aircraft schedule delivery slip.					
3	Full Flight Mission Simulators design review delays stem primarily from slow contractor derivation of requirements into a suitable System and Subsystem Specification. This was compounded by delays in The Contractor establishing a vital subcontract with the aircraft manufacturer.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration	MRH aircraft - Phase 2	Jul 06	Nov 06	Dec 06	5	-
	MRH aircraft - Phase 4/6	N/A	N/A	N/A	N/A	1
	MRH Software Support Centre	N/A	Oct 08	Nov 08	1	-
	Electronic Warfare Self Protection Support System	N/A	N/A	Nov 07	N/A	-
	Ground based Mission Planning and Management System	N/A	N/A	N/A	N/A	2
	MRH Instrumented System	Nov 08	May 09	Dec 09	13	3
	Full Flight and Mission Simulators	Jun 11	Sept 11	Sep 11	4	4
Acceptance	Type Acceptance Review SFP 1	Oct 07	N/A	Dec 07	2	5
	Australian Military Type Certificate	Dec 08	Dec 10	Apr 13	52	6
	Full Flight and Mission Simulator #1	Jul 12	Aug 13	Aug 13	13	7
	Full Flight and Mission Simulator #2	Jan 13	Oct 14	Oct 14	21	7
	Ground based Mission Planning and Management System Lot 1	Feb 09	Sep 09	Dec 09	10	8
	Ground Mission Planning and Management System Lot 2	Feb 09	Dec 09	Apr 10	14	8
	Ground Mission Planning and Management System Lot 3	Sep 10	Sep 10	Mar 13	30	8
	MRH Software Support Centre	Feb 09	Feb 09	Dec 08	(2)	-
	Electronic Warfare Self Protection Support System	Dec 07	Dec 07	Dec 07	0	-
	MRH Instrumented System	Mar 10	Jun 10	Sep 11	18	9
Aircraft Acceptance	MRH aircraft #01 (First aircraft)	Dec 07	N/A	Dec 07	0	-
	MRH aircraft #05 (First Australian built aircraft)	Dec 08	N/A	Dec 08	0	-
	MRH aircraft #46	Jul 14	Jun 17	Jun 17	35	10
	MRH aircraft #47 (Final aircraft)	Jul 17	Jul 17	Jul 17	0	-
Notes						
1	AIR9000 Phases 4/6 were rolled into the MRH Program from aircraft 13 onwards, which increased the number of aircraft from 12 to 46.					
2	The acceptance and test-readiness of the GMMS was broken into six lots post contract signature. The lots comprise of GMMS deliverables that have been aligned to aircraft delivery – location and baseline. The acceptance of GMMS lots are listed in the acceptance area of this table.					
3	The 13-month delay to closure of Test Readiness Review was due to electronic compatibility test design issues not resolved until November 2009. This delay was mitigated by the development of an interim MRH Instrumentation System capability used for a test activity in October 2009.					
4	Achieved through completion of Test Readiness Review for Contractor In-Plant Test and Evaluation in September 2011.					
5	The first Airworthiness Board (for a SFP was conducted in November 2007 and a SFP was granted in December 2007. There have been a number of SFP extensions to allow flight trials of the aircraft as it further develops. The most recent SFP was granted in December 2012 and expired in April 2013.					
6	Achievement of the Australian Military Type Certificate proved problematic due to technical and reliability issues, leading to insufficient levels of the Rate of Effort. Rate of Effort was required to validate that in-service support arrangements for the fleet are sufficient to cope with current numbers of aircraft and are growing in maturity to meet fleet requirements. Australian Military Type Certificate and Service Release was achieved 17 April 2013.					
7	Refers to acceptance of Full Flight Mission Simulators in Oakey and Townsville. Delays have been incurred due to the late delivery of facilities and an underestimation of the time required to implement the design.					
8	Ground based Mission planning and Management System Lot 1, 2 and 3 have been altered to accommodate the variation in aircraft delivery date and configuration.					
9	The MRH instrumented system incurred delays due to technical and supportability issues that resulted in contractual non-conformances. These non-conformances were rectified by September 2011.					
10	The MRH-90 program stopped accepting aircraft in November 2010 due to a number of technical and reliability issues. The Commonwealth recommenced accepting aircraft in November 2011 after negotiating a remediation plan to address a number of engineering and contractual issues; however, acceptance of aircraft was again suspended in February 2012 pending resolution of another technical concern related to the aircraft's cargo hook. In May 2012 the Commonwealth agreed to accept a further four aircraft based on Airbus Australia Pacific's agreement to the commercial terms associated with the rectification of the cargo hook issue. Scheduled aircraft acceptance recommenced in June 2012 with aircraft #46 accepted in June 2017 and the final aircraft (#47) accepted in July 2017.					

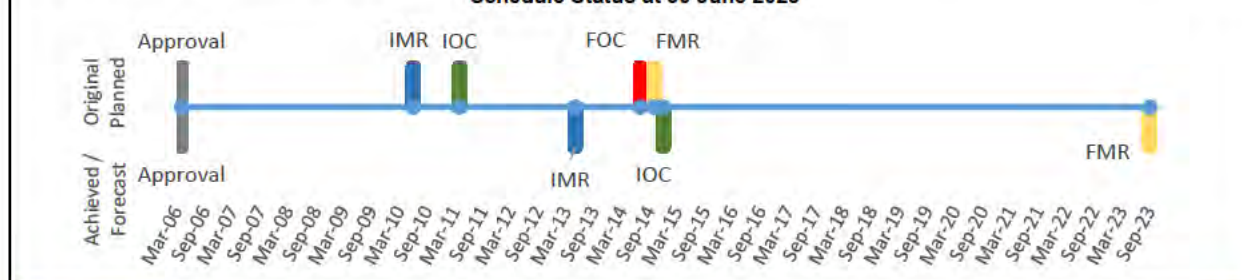
3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item		Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release 1 (IMR1)	Army/ Navy	Jun 10	May 13	35	1
Initial Operational Capability (IOC)	Navy	Jul 10	Feb 15	55	2
	Army	Apr 11	Dec 14	44	3
Final Materiel Release (FMR)	Army/ Navy	Oct 14	Sep 23	107	4
Final Operational Capability (FOC)	Navy	Dec 12	-	-	5
	Army	Jul 14	-	-	4, 5

Notes

1	The MRH program stopped accepting aircraft in November 2010 due to a number of technical and reliability issues. This impacted the achievement of capability milestones. The Commonwealth recommenced accepting aircraft in November 2011 after negotiating a remediation plan to address a number of engineering and reliability issues; however, acceptance of aircraft was again suspended in February 2012 pending resolution of another technical concern related to the aircraft's cargo hook. In May 2012 the Commonwealth agreed to accept a further four aircraft based on Airbus Australia Pacific's agreement to the commercial terms associated with the rectification of the cargo hook issue. Scheduled aircraft acceptance recommenced in June 2012 with the final aircraft (#47) accepted in July 2017. IMR was declared on 13 May 2013, based on six Product Baseline 003 aircraft.
2	Affected by delays to IMR (refer to Note 1 above).
3	Affected by delays to IMR (refer to Note 1 above).
4	Dates directly impacted by delay to IMR (refer to Note 1 above). The remediation of technical deficiencies and issues through replacement or re-design will draw upon significant engineering, logistic and commercial resources and will therefore form the critical path toward achieving FMR. The FMR dates have been reviewed to reflect this. Ongoing delays to deliver capabilities has resulted in FMR being rescheduled to September 2023. FOC will not be declared.
5	FOC will not be declared. The MRH-90 Taipan has not been able to meet the ADF's capability requirements and will be replaced by MH-60R Seahawk through Project SEA9100 Phase 1 Improved Embarked Logistics Support Helicopter, and UH-60M Black Hawk by LAND4507 Phase 1 MRH Rapid Replacement Project.

Schedule Status at 30 June 2023



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: N/A
	Amber: N/A
	Red: FOC will not be declared. The MRH-90 Taipan has not been able to meet the ADF's capability requirements and will be replaced by MH-60R Seahawk through Project SEA9100 Phase 1 Improved Embarked Logistics Support Helicopter, and UH-60M Black Hawk by LAND4507 Phase 1 MRH Rapid Replacement Project.

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)	- Six Product Baseline 003 aircraft with associated role equipment to support IOC milestones; - Issue of Australian Military Type Certificate and Service Release; - Completion of all MRH-90 facilities at Townsville, Oakey and Nowra; - Establishment of mature planned contractor support to maintenance and logistics; and - Provision and certification of Mission Management systems necessary for IOC milestones. IMR was achieved in May 2013.	Achieved
Initial Operational Capability (IOC)	- Achievement of OCM Support 1 (OCM1) – a single flight embarked for limited daytime operations. - Achievement of OCA1 Milestones – deployment of a single troop (consists of three aircraft) in a permissive environment. IOC was achieved by Army – December 2014 and Navy – February 2015.	Achieved
Final Materiel Release (FMR)	47 aircraft configured to the contractual baseline including configuration amendments specified in Deeds 1 and 2 (one aircraft to be used as a Maintenance Training Device); - Role equipment delivered to support aircraft. Role equipment completion criteria is to include the transfer of Project funding and contract management responsibilities concerning the completion of the remaining long lead time acquisition activities for Aeromedical Evacuation Equipment to the Army Aviation System Program Office (AASPO); A mature sustainment organisation capable of discharging all in-service responsibilities; including logistic and training requirements; - Mature training system with all training devices accepted, supported by an effective, functioning training organisation. Training completion criteria to include the transfer of project funding and contract management responsibilities concerning the completion of the remaining long lead time acquisition activities for an additional AMT to AASPO; and - All facilities and support equipment, required to support the capabilities accepted. FMR is forecast to be achieved in September 2023.	Not yet Achieved
Final Operational Capability (FOC)	FOC is defined as the achievement of all Operational Capability Milestones providing the following capabilities: - OCM3 – Three embarked flights (Note: OCM3 will not be declared as a result of Navy ceasing MRH Operations). - OCL3 – Two Airmobile Squadrons. - OCA4 – One Squadron capable of supporting amphibious operations. - OCS Operations Support (OCS2) – One Special Operations Aviation Task Unit. FOC will not be declared refer Section 1.2.	Will not be Declared

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
N/A	All major project risks are closed or are being managed as issues.	N/A
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Major Project Issues

Ref#	Description	Remedial Action
1	Two issues have been identified that are attributed to Schedule: - Delayed FMR due to delivery of supplies not adhering to the contracted schedule. - Delay to the final solution delivery schedule due to initial solution not being suitable for high care or multiple extractions.	The project FOC will not be declared due to the delay in the delivery of FMR supplies. Defence has approved the cancellation of these outstanding supplies with a corresponding scope reduction to reflect the capability identified in the MAA.
2	Two capability issues have been identified: - The current design of the protection system is not meeting capability requirements. - Spares will need to be procured to support the new role equipment and capabilities being developed.	The PMSG held in April 2023 endorsed that the sub-system will not be granted technical release and that production systems and spares are not to be procured. The current in service system integrated onto the platform will remain in service.

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. The project has captured four lessons related to Contract Management, First of Type Equipment, Schedule Management, Governance, and Requirements Management. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorised any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Observation. 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).	Contract Management
Lesson Type – Observation. The MRH Program was incorrectly viewed as a Military off-the-Shelf (MOTS) acquisition. Lessons associated with intended MOTS 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.	Off-The-Shelf Equipment
Lesson Type – Observation. Better arrangements should be put in place to ensure appropriate considerations of contractor performance occur before the Commonwealth enters into similar contracts.	Contract Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Joint Aviation Systems Division
Branch	Army Aviation Systems Branch

Project Data Summary Sheet¹

Project Number	LAND400 Phase 2
Project Name	MOUNTED COMBAT RECONNAISSANCE CAPABILITY
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 14
Government 2nd Pass Approval	Mar 18
Budget at 2nd Pass Approval	\$5,762.7m
Total Approved Budget (Current)	\$5,606.3m
2021-22 Budget	\$370.0m
Complexity	ACAT I

Section 1 – Project Summary

1.1 Project Description

LAND400 Phase 2 will acquire the Boxer 8x8 Combat Reconnaissance Vehicle (CRV) to meet Army's land combat reconnaissance requirements. The Project is approved to acquire 211 vehicles, additional modules, training systems and support systems to replace the in-service capability provided by the Australian Light Armoured Vehicle (ASLAV).

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2022, financial year 2021-22 expenditure was \$370.1m against a Year End (YE) budget of \$370.0m representing no material YE variance.

Project Financial Assurance Statement

As at 30 June 2022, Project LAND400 Phase 2 has reviewed the Project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers, 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 2021/22.

Schedule Performance

The Project has successfully achieved both Initial Materiel Release (with exceptions) and Initial Operational Capability. The Project schedule was adjusted in 2022 (resulting in increased variance to some milestones) to incorporate a series of contractual changes, principally focused on incorporating capability improvements and addressing further COVID-19 delays. The Project experienced delays in the exit of some design reviews and is working intensively with Rheinmetall Defence Australia (RDA) to ensure the achievement of Final Operational Capability remains on track for 2027.

Materiel Capability/Scope Delivery Performance

As at 30 June 2022, the Project has achieved Initial Operational Capability. Final Material Release and Final Operational Capability remain planned for June 2027.

Note

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

1.3 Project Context

Background

The Australian Light Armoured Vehicle (ASLAV) supports the Australian Defence Force's (ADF) mounted combat reconnaissance capability and has seen extensive operational service, including in East Timor, Iraq and Afghanistan. Introduced in 1992, the ASLAV fleet will reach the end of its life around 2023 and is expected to be withdrawn from service in 2025.

The Government gave First Pass Approval for a replacement Combat Reconnaissance Vehicle (CRV) in December 2014. An assessment prior to First Pass Approval identified that current Military-Off-The-Shelf solutions would be unlikely to be capable of meeting all of Army's capability requirements. In March 2018, Government

¹ Notice to reader

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.

announced RDA as the preferred tenderer for the delivery of an Australianised Boxer 8x8 CRV for the ADF – an acquisition contract was signed in August 2018 for the provision and initial support of 211 Boxer CRVs to be delivered in two blocks.

Block I (now delivered) consists of 25 vehicles (12 Reconnaissance and 13 Multi-Purpose Variants) whilst Block II (currently in design) consists of 186 vehicles, across five variants: Reconnaissance (121); Command and Control (15); Joint Fires and Surveillance (29), Repair (10) and Recovery (11).

The Block I vehicles were primarily manufactured and assembled in Germany, with final integration, acceptance testing and operational test and evaluation undertaken in Australia – Defence achieved Initial Operational Capability, on schedule, in June 2022. With a deliberate period of transition, the remaining Block II Boxer CRVs will predominately be built and assembled in Australia. The transition will enable progressive technology transfer of manufacturing techniques and assembly line processes to Australia. There will remain some vehicle subsystems for which the transfer of manufacture or assembly from Europe to Australia would not be cost-effective and will continue to be supplied from Europe (e.g. welded drive module hulls, 30mm cannons, and multi-sensor head systems). Final assembly, integration, set to work, and testing of those elements will, however, still occur in Australia, whilst selected low-volume variants will continue to be assembled in Germany. The Project has so far invoked one Stop Payment milestone (in the period July to September 2019) – this has now been lifted.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As the new process was introduced after LAND400 Phase 2 had approached the market, it was not feasible to implement it within the timeframe available.

The Boxer CRV will form part of Army's modernised Armoured Fighting Vehicle capability, until its life-of-type (approximately 2055).

Uniqueness

LAND400 Phase 2 is unique for two reasons. Firstly, Australia is the first nation acquiring a Boxer vehicle with a manned-turret – a variant that other countries have expressed an interest in buying. Secondly, the Project is acquiring a uniquely designed Reconfigurable Driver Training Simulator – a system that was designed in Australia, won an Essington-Lewis Award for the best minor acquisition under \$50 million in 2020, and is attracting global interest for follow-on sales.

Major Risks and Issues

The only high risk for the Project is failure to achieve FOC on schedule.

In addition, the Project is managing a small quantity of residual issues associated with two milestones (Initial Material Release and Initial Operational Capability).

Other Current Related Projects/Phases

LAND200 Tranche 2 (Battlefield Command System) is scoped to deliver two subsystems to the Project, these include:

- Battlefield Management System (BMS) — that enables vehicle commanders to monitor, direct and review operations with electronic displays of maps and combat data; and
- Tactical Communications Network — comprising secure, mobile communications infrastructure to support the distribution of the BMS and other combat systems used by Army.

Note

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

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Dec 14	Original Approved (Government first pass approval)	116.7	
Mar 18	Government second pass approval	5,646.0	
	Total at Second Pass Approval	5,762.7	
Jun 22	Exchange Variation	(156.4)	
Jun 22	Total Budget	5,606.3	
Project Expenditure			
Prior to Jul 21	Contract Expenditure – RDA	(1,260.7)	1
	Contract Expenditure – NIOA	(52.3)	
	Contract Expenditure – UMS	(20.0)	
	Contract Expenditure – EOS	(5.5)	
	Other Contract Payments / Internal Expenses	(142.4)	
		(1,480.9)	
FY to Jun 22	Contract Expenditure – RDA	(310.9)	2
	Contract Expenditure – NIOA	(25.9)	
	Contract Expenditure – UMS	(6.7)	
	Contract Expenditure – EOS	(1.3)	
	Other Contract Payments / Internal Expenses	(25.3)	
		(370.1)	
Jun 22	Total Expenditure	(1,851.0)	
Jun 22	Remaining Budget	3,755.3	
Notes			
1	Other Expenses (\$142.4m) are for Risk Mitigation Activity Contracts with Rheinmetall Landsysteme GmbH and BAE Systems (\$50.0m), Project Office Administration (\$45.2m), C4I (\$17.5m), Extended Payment Terms Finance Charge (\$17.3m), Support Contract (\$3.4m), German Quality Assurance (\$3.2m), Test and Evaluation (\$3.1m), Risk Mitigation Activity – Other (\$0.9m), Remote Weapon Station – Block I (\$0.6m), Support (\$0.5m), Customs Duty (\$0.4m) and other (\$0.3m).		
2	Other Expenses (\$25.3m) are for Project Office Administration (\$17.1m), C4I (\$6.3m), Support (\$0.9m), Customs Duty (\$0.4m), Test and Evaluation (\$0.3m), Extended Payment Terms Arrangement (\$0.1m) and other (\$0.2m).		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
665.1	374.1	370.0	The variation from PBS to PAES is primarily due to later than expected achievement of various milestones in the Rheinmetall Defence Australia acquisition contract. The delays are caused by a combination of technical issues and the enduring impact of COVID-19 (including supply chain disruptions and travel restrictions). The variation from PAES to Final Plan is due to budget exchange rate updates.
Variance \$m	(291.0)	(4.1)	Total Variance (\$m): (295.1)
Variance %	(43.8)	(1.1)	Total Variance (%): (44.4)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		2.6	Australian Industry	There was no material YE variance.
		(0.8)	Foreign Industry	
			Early Processes	
		(1.7)	Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
370.0	370.1	0.1	Total Variance	
		0	% Variance	

2.3 Details of Project Major Contracts

Details of Major Contracts						
Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 22 \$m			
RDA	Aug 18	3,890.2	3,788.2	Fixed	Standard Defence Contract	1,3
UMS	Dec 18	29.1	30.9	Fixed	Standard Defence Contract	
NIOA	Jul 18	47.3	96.8	Fixed	Standard Defence Contract (Standing Offer)	4
EOS	Dec 19	50.2	48.9	Fixed	Standard Defence Contract	2,3
Notes						
1	Contract value as at Signature is based on PBS 2018-19 Budgeted exchange rates. The commitment value included Price escalation estimates.					
2	Contract value as at Signature is based on Mid-Year Economic and Fiscal Outlook 2019-20 Budgeted exchange rates. The commitment value included Price escalation estimates.					
3	The price at 30 Jun 22 is \$103.3m lower than the price at signature due to exchange rate variation and lower than expected price escalation.					
4	Contract value as at signature reflects initial order quantity only not current value including additional purchase orders.					
Contractor	Contracted Quantities as at		Scope	Notes		
	Signature	30 Jun 22				
RDA	211	211	211 Combat Reconnaissance Vehicles, 12 Mission Modules, Support & Test Equipment and Training Equipment	1		
UMS	6 1	6 1	Reconfigurable Driver Simulators Part Task Trainer			
NIOA	Classified	Classified	Explosive Ordnance			
EOS	82	82	Remote Weapon Stations (RWS)			
Major equipment accepted and quantities to 30 Jun 22						
As at 30 Jun 22:						
• 25 CRV have been accepted.						
A classified quantity and variety of explosive ordnance has been accepted.						
Notes						
1	In 2019/20, the quantity reported at contract signature was 223 – this figure included 211 CRV and the 12 additional Mission Modules. This figure has been updated to 211 to more correctly define the number of complete CRV.					

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	Block I – Multi Purpose Vehicle	N/A	N/A	Nov 18	-	1,2
	Block I – Reconnaissance	Nov 18	N/A	Nov 18	-	1
	Block II – Joint Fires and Surveillance	Jul 19	N/A	Jul 19	-	1
	Block II – Command and Control	Jun 19	N/A	Jul 19	1	1
	Block II – Reconnaissance	Jan 19	N/A	Feb 19	1	1
	Block II – Repair	Aug 19	Oct 19	Sep 19	1	1
	Block II – Recovery	Feb 19	N/A	Feb 19	-	1
Preliminary Design	Block I – Multi Purpose Vehicle	N/A	N/A	Jan 19	-	1,2
	Block I – Reconnaissance	May 19	N/A	May 19	-	1
	Block II – Joint Fires and Surveillance	Dec 20	Jan 23	Apr 23	28	1,3,9
	Block II – Command and Control	Jul 20	Jan 23	Apr 23	33	1,4,9
	Block II – Reconnaissance	Jul 19	N/A	Sep 19	2	1,3,5
	Block II – Repair	Dec 21	May 23	Jun 23	18	1,9
	Block II – Recovery	Feb 20	Sep 22	Aug 22	30	1,6,9
Detailed Design	Block I – Multi Purpose Vehicle	Jan 19	N/A	Aug 19	7	1,2,7
	Block I – Reconnaissance	Oct 19	N/A	Nov 19	1	1
	Block II – Joint Fires and Surveillance	Nov 21	Oct 23	Nov 23	24	1,3,9
	Block II – Command and Control	Apr 21	Oct 23	Oct 23	30	1,4,9
	Block II – Reconnaissance	May 20	May 22	Aug 22	27	1,8,9
	Block II – Repair	Sep 22	Feb 24	Jan 24	16	1,9
	Block II – Recovery	Mar 21	May 23	Apr 23	25	1,9
Notes						
1	The date represents the Exit of the Design Review.					

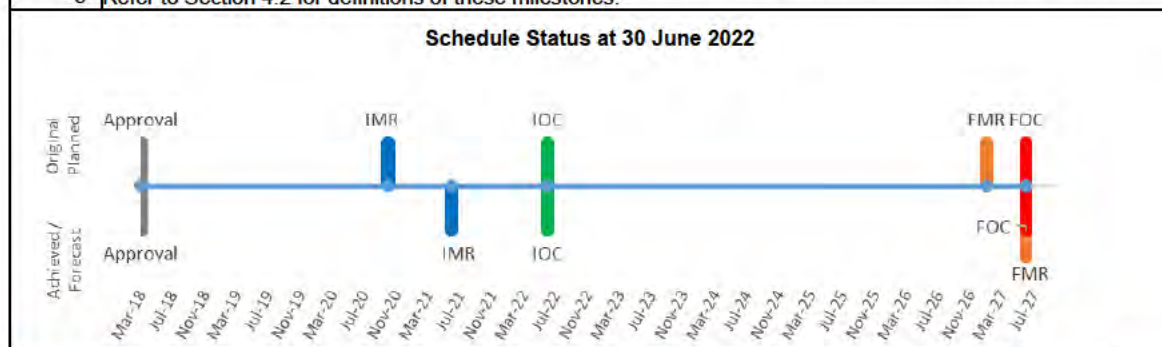
2	The Multi-Purpose Vehicle was only required to conduct a Detailed Design Review.
3	Delay was due to the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals, uncertainty with the load list, and delays associated with the Command and Control variant.
4	Delay was due to a combination of the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals, and uncertainty with the load list.
5	Delay was due to a failure to satisfy all Preliminary Design Review (PDR) requirements which resulted in Defence invoking a Stop Payment in July 2019 – this has now been lifted.
6	Delay was due to a Commonwealth request for a risk reduction activity (in the form of a capability demonstration) to be incorporated into the Review.
7	Delay was due to the late achievement of PDR and an underestimation of the time required to implement the design changes following the fitment exercise.
8	Delay was due to a combination of the Stop Payment (in July 2019) – note 5 refers; the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals; the entry criteria for this activity not being met; and failure to exit the design review on schedule.
9	The additional variance is due to the execution of CCP026 which incorporated a series of capability improvements and addressed further COVID-19 delays.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System / Platform Variant	Original Planned	Current Contracted	Achieved / Forecast	Variance (Months)	Notes
System Integration and Acceptance	Block I – Multi Purpose Vehicle	Oct 20	N/A	Dec 20	2	1,2
	Block I – Reconnaissance	Oct 20	N/A	Jun 21	8	1,2
	Block II – Joint Fires and Surveillance	Oct 26	Apr 27	Jan 27	3	1,3,4
	Block II – Command and Control	Jun 26	Apr 27	Jan 27	7	1,3
	Block II – Reconnaissance	Oct 26	May 27	Feb 27	4	1,3,4
	Block II – Repair	Jun 26	May 27	Dec 26	6	1,3
	Block II – Recovery	Mar 26	Oct 26	Sep 26	6	1,3,4
Notes						
1	Dates specified are based on Acceptance of the final delivery for each variant.					
2	Delivery was delayed due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.					
3	The variance is due to a combination of technical changes made to all variants and the impact of COVID-19 in both Europe and Australia.					
4	While the forecasts are earlier than currently contracted, the milestones have still slipped overall compared to the previously reported forecasts.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

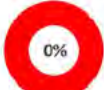
Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 20	Jun 21	8	1,2
Initial Operational Capability (IOC)	Jun 22	Jun 22	0	3
Final Materiel Release (FMR)	Jan 27	Jun 27	5	1
Final Operational Capability (FOC)	Jun 27	Jun 27	0	4
Notes				
1	The variance is due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.			
2	IMR was met with the delivery of 21 vehicles to the 7 th Brigade in June 2021. IMR was declared with three exceptions which are further explained in Section 5.2.			
3	IOC was declared on 29 June 2022, when the first operationally-deployable CRV element (the first Mounted Combat Squadron) including mission, support and training systems, and facilities, if required, was delivered to the first Combat Brigade and support organisations, and accepted into service. The Block I vehicles experienced some technical issues during Operational Test and Evaluation activities, however these were not impediments to a IOC declaration – these are explained further in Section 5.2.			
4	The Project is working intensively with Rheinmetall Defence Australia to ensure FOC is achieved on schedule.			
5	Refer to Section 4.2 for definitions of these milestones.			

**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 Materiel Capability Requirements as expressed in the Materiel Acquisition Agreement.
	Amber:
	Red:
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)	IMR occurred in June 2021 when 21 Combat Reconnaissance Vehicle mission systems were delivered to 7th Brigade, Brisbane; and the initial contractor-provided logistics support arrangements were established. These included: user documentation, technical data, maintenance support, logistics instructions, engineering support, spares, and training systems.	Achieved with exceptions (Refer to Section 5.2)
Initial Operational Capability (IOC)	IOC occurred, on schedule, in June 2022 when the first operationally deployable CRV element, including mission, support, and training systems, and facilities, if required, were delivered to one Combat Brigade and support organisations, and accepted into operational service.	Achieved
Final Materiel Release (FMR)	FMR will occur with final delivery of the Combat Reconnaissance Vehicle capability. It includes: - delivery of all vehicles, spares and attrition, and simulation training enablers for the Combat Reconnaissance Vehicle capability to all gaining units, and - Logistics support arrangements, including: user documentation; technical data; maintenance support, logistics instruction, engineering support; spares; training systems; and facilities. - Forecast: June 2027	Not yet achieved
Final Operational Capability (FOC)	FOC will occur when: - The full scope of LAND400 Phase 2, including mission, support and training systems, and facilities (if required), has been delivered to the three Combat Brigades and support organisations, and accepted into operational service. - Support arrangements are finalised in accordance with the Integrated Logistics Support Plan. - The three Armoured Cavalry Regiments are declared operationally ready by the Capability Manager (including training fleets, and spares and attrition stock vehicles). - Forecast: June 2027	Not yet 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
Failure of Boxer CRV to meet the contracted specifications. There is a risk that the Boxer CRV may fail to meet the contracted minimum specifications leading to an impact on cost, schedule or capability.	The Commonwealth is working closely with the supplier as part of the initial testing of the vehicle. Any areas for improvement will be integrated into the vehicle's design. The risk was downgraded from high to medium as the Project has an improved understanding of the vehicle's design.
Failure to achieve FOC on schedule There is a risk that FOC will not be achieved on schedule due to the combined impacts of COVID-19, technical difficulties, global supply chain disruption, and problems faced by the OEM.	The Commonwealth has worked intensively with the supplier to reduce delays. Despite this, the Project assesses that achievement of FOC is currently a high risk and is being actively managed by Commonwealth and Industry senior leadership.
Immersive Tactical Trainer – Containerised (ITT-C) Design is not feasible There is a risk that when operated the ITT-C will create too much heat in the confined container, resulting in a system that does not meet safety requirements and is not fit for purpose.	The Commonwealth will increase the frequency of technical reviews for the development of the ITT-C. This risk was retired as the ITT-C's design issues were resolved.
Cost of Project Contractor Support Exceeds Budget There is a risk that the budget for Contractor Support approved at Second Pass (\$46.805m) will not be sufficient to fund the required contracted workforce for the life of the Project.	This risk was retired as the allocation of resources attributed was reviewed and deemed sufficient.
RDA Variance at Completion (VAC) Exceeds Budget Allocated Cost There is a risk that RDA's current VAC of \$109m is an early indicator of cost, schedule and performance challenges.	The Commonwealth is monitoring and engaging closely with RDA. This risk was retired as the Project has a fixed price contract established and has sufficient contingency included within the contract price.
Emergent Risks (risk not previously identified but has emerged during 2021–22)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

Description	Remedial Action
C4I System Software and Equipment Availability There is an issue that CRV capabilities will be affected by Army and/or communications-related projects, System Project Offices (SPO) and original equipment manufacturers (OEM) being unable to provide communications equipment, software or technical support within LAND400 Phase 2 timeframes leading to an impact on Cost, Schedule, Performance and Reputation.	The Project is engaging closely with Army, C4I projects, SPOs and OEMs to closely manage the availability of equipment and technical information and support in accordance with LAND400 Phase 2 timeframes. This issue has been expanded for clarity and renamed 'Command, Control, Communications, Computers and Intelligence (C4I) Software and Equipment compromises CRV capability'. This issue was retired as the required software and equipment has been made available within the required timeframes.
Failure to integrate LAND200 Systems onto the CRV There is an issue that LAND200 are unable to provide technical support or equipment within the required LAND400 Phase 2 timeframes.	The Project has established an alternative means of supply. This issue was retired as a technical solution was identified.
Impacts of COVID-19 on RDA There is an issue that RDA will be unable to deliver against its contracted schedule due to the impacts of COVID-19. There will be a six month delay to all contractual milestones with potential impacts to FOC. Realised and potential impacts include reduced production capacity, supply chain delivery delays, lower levels of collaboration, possible staff absences or limitations, and potential disruption to program delivery. It may also lead to potential delays in the delivery of Block II vehicles and corresponding Milestones and potential delays to Block II Mandated System Reviews, delivery of vehicles and the corresponding Milestones.	The Project has worked intensively with RDA to recover schedule – revised arrangements, including the early transition of production-related work to Australia and increased rate of production have now been implemented. This issue was retired as the impacts of COVID-19 were addressed via a contractual change.

C2 and JFS variants inability to Access External Power Source	The Project is working with RDA to incorporate an external power charging port into the design.
There is an issue that the batteries in the C2 and JFS variants of the CRV are unable to be charged whilst in a static mode, leading to an impact on the operation of vehicle systems.	This issue has been downgraded from high to medium, as a technical solution is being scoped.
Initial Materiel Release Exceptions Initial Materiel Release was declared with three exceptions relating to: • the completion of Functional Configuration Audit and Physical Configuration Audit, • the integration of electronic counter measures, and • transportability studies including air transportability and integration with other Army vehicles.	The Project has completed remediation work to address the integration of electronic counter measures. The Project expects to complete the remaining two exceptions in October 2022.
Block I Technical Issues There is an issue that the Block I vehicles experienced some minor technical issues during introduction into use – issues like these are to be expected in a project of this size and complexity. Whilst the issues did result in increased risk being accepted by the Capability Manager, none were impediments to the declaration of Initial Operational Capability (IOC). The issues were associated with human factors, towing, and air transportability.	The Project is working intensively with Rheinmetall Defence Australia to address these issues – all are expected to be resolved in 2023 within the timeframes required by Army.
Note	
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

[DLM removed]

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
Enhancing project team capability – The project should be sufficiently resourced at each stage of the capability lifecycle. All members of the project team should be properly trained and prepared for their roles and have a good understanding of the project's scope, schedule and cost along with associated governance requirements.	Resourcing and Governance
Whole of capability focus – The project should establish and maintain a 'whole of capability' focus in delivering the Boxer CRV, including management of all fundamental inputs to capability and commonality and alignment across the support and training systems to retain its effectiveness in rapidly changing threat and technology environments.	Requirements Management
Whole of life approach – When conducting market solicitation for the capability, the tender documentation should establish clear guidance on the level of maturity required initially as well as the level of innovation or developmental aspects the Commonwealth is prepared to accept. Requirements should be expressed in terms of mission or functional performance and should encourage tenderers to offer innovative solutions.	Requirements Management
Project management discipline – A Program Management Plan and Project Master Schedule are the means by which high-performing projects are conducted. As such, they must be maintained as the basis for directing the LAND400 Phase 2 program, managing priorities and resources, and monitoring and reporting performance to the relevant stakeholders. A Risk Management Plan should inform a disciplined approach to identifying, recording, analysing and mitigating the risks, issues and opportunities that may affect delivery of the capability.	Governance
Capability Manager and stakeholder engagement are an essential part of the tender governance – arrangements should be established for regular participation of the 3-star Capability Manager and Deputy Secretary CASG in senior governance arrangements. It is recommended that each major acquisition program invite participation from Contestability Division, Joint Force Design, Industry Division and Defence Science and Technology at all levels of the Tender Evaluation Organisation.	Governance
Industry engagement – Early engagement of 'Industry' (as one of the fundamental inputs to capability) is required to maximise Australian industry participation in delivering the capability. The requirements, guidance and parameters for industry involvement should be included in the tender documentation and facilitated industry engagement should be a standard part of any major acquisition project.	Requirements Management
Tender requirements – When conducting a tender, the Request For Tender documentation should clearly identify which requirements are considered 'essential', 'important' and 'desirable' to the Commonwealth in order to guide the tenderers in developing proposed solutions. In addition, any Risk Mitigation Activity undertaken to differentiate between tendered solutions should look beyond the testing and evaluation requirements and consider other elements of the capability (including personnel training, repair and sustainment aspects).	Requirements Management
Probity – During tender evaluations, all staff involved in the project, including contracted workforce, must have a clear understanding of probity and all probity requirements in order to preserve the integrity of the tender process. Throughout the source selection and negotiation stages, any interaction between members of the project team and tenderers should be properly recorded to maintain transparency and ensure the Commonwealth is able to provide an appropriate response.	Governance

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2022

Unit	Name
Division	Armoured Vehicle Division
Branch	Armoured Fighting Vehicles Branch

Project Data Summary Sheet¹

Project Number	LAND400 Phase 2
Project Name	MOUNTED COMBAT RECONNAISSANCE CAPABILITY
First Year Reported in the MPR	2019–20
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 14
Government 2nd Pass Approval	Mar 18
Budget at 2nd Pass Approval	\$5,762.7m
Total Approved Budget (Current)	\$5,657.3m
2022–23 Budget	\$616.4m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND400 Phase 2 will acquire the Boxer 8x8 Combat Reconnaissance Vehicle (CRV) to meet Army's land combat reconnaissance requirements. The project is approved to acquire 211 vehicles, additional modules, training systems and support systems to replace the in-service capability provided by the Australian Light Armoured Vehicle.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2023, Financial Year (FY) 2022-23 expenditure was \$569.6m against a Year End (YE) budget of \$616.4m. The YE variance is primarily due to a delay to the procurement of sparing equipment, delay to delivery of radio equipment and slippage of contract milestones with Rheinmetall Defence Australia Pty Ltd and other contracted parties.

Project Financial Assurance Statement

As at 30 June 2023, LAND400 Phase 2 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers, 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 FY 2022-23.

Schedule Performance

The project has successfully achieved both Initial Materiel Release (IMR) (with exceptions) and Initial Operational Capability (IOC). The project schedule was adjusted in 2023 (resulting in increased variance to some milestones) to incorporate a series of contractual changes, principally focused on incorporating capability improvements and addressing supply chain delays and workforce availability. The project experienced delays in the exit of some design reviews and is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure the achievement of Final Operational Capability (FOC) remains on track for 2027.

Materiel Capability/Scope Delivery Performance

The project achieved IMR with exceptions, in June 2021 and achieved IOC in June 2022. Final Materiel Release (FMR) planned for January 2027 and FOC remains planned for June 2027.

Note

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

1.3 Project Context

Background

Government First Pass Approval occurred in December 2014 for a replacement CRV. An assessment prior to First Pass Approval identified that current Military-Off-The-Shelf solutions were unlikely to meet all of Army's capability requirements. Government Second Pass Approval occurred in March 2018 with Rheinmetall Defence Australia Pty Ltd as the preferred tenderer to deliver the Australianised Boxer 8x8 CRV. In August 2018, Defence signed the acquisition contract for 211 Boxer CRV, to be delivered in two blocks.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As the new process was introduced after LAND400 Phase 2 had approached the market, it was not feasible to

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.

implement it within the timeframe available.

In June 2022, Defence achieved through acceptance of the Block I Boxer CRV achieved Initial Operational Capability on schedule. The Block II Boxer CRVs will be substantially built and assembled in Australia consistent with the transition of technology, manufacturing techniques and assembly line production to Australia. There will remain some vehicle subsystems for which the transfer of manufacture or assembly from Europe to Australia is not be cost-effective and will continue to be sourced from Europe. Final assembly, integration, set to work, and testing of these elements will occur in Australia. Selected low-volume CRV variants will continue to be assembled in Germany.

On the 07 June 2023, Defence advised Rheinmetall Defence Australia Pty Ltd that it was enforcing the Stop Payment for Milestone 070 'Exit of the Recovery Detail Design Review (DDR)' due to the delay in milestone achievement and delay in the conducting the Integrated Baseline Review.

The Boxer CRV will form part of Army's modernised Armoured Fighting Vehicle capability, until its life-of-type (approximately 2055).

Uniqueness

LAND400 Phase 2 is unique for two reasons. Firstly, Australia is the first nation acquiring a Boxer vehicle with a manned-turret, a variant that other countries have expressed an interest in buying. Secondly, the project is acquiring a uniquely designed Reconfigurable Driver Training Simulator – a system that was designed in Australia, won an Essington-Lewis Award for the best minor acquisition under \$50.0m million in 2020, and is attracting global interest for follow-on sales.

Major Risks and Issues

The project is currently managing the following High risk:

- Failure to achieve FOC on schedule.

The project is currently managing the following issues:

- Training equipment fails to enter DDR on schedule.
- The Recovery (RECOV) Variant fails to enter DDR on schedule.
- The project is managing a small quantity of residual issues associated with two milestones (IMR and IOC).

Other Current Related Projects/Phases

LAND400 Phase 2 is reliant on the delivery of LAND200 Tranche 2 capabilities:

- **Battlefield Management System (BMS).** Enables vehicle commanders to monitor, direct and review operations with electronic displays of maps and combat data; and
- **Tactical Communications Network (TCN).** Provides secure, mobile communications infrastructure to support the distribution of the BMS and other combat systems used by Army.

These subsystems are scoped to be delivered to Army by LAND200 Tranche 2.

Army's BMS and TCN integration into the CRV platform were not scoped in LAND200 Tranche 2, as LAND200 Tranche 2 preceded LAND400 Phase 2 approval - hence there is no direct dependency. LAND400 Phase 2 will deliver an interim capability effect to fill the BMS and TCN requirements that will be further developed under future projects.

The project is reliant on:

- **LAND154 Phase 2 - Joint Counter Improvised Explosive Device Capability.** Force Protection Electronic Counter Measures solution integrated into the CRV as Government Furnished Equipment.

Note

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

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 14	Original Approved (Government First Pass Approval)	116.7	
Mar 18	Government Second Pass Approval	5,646.0	
	Real Variation – Transfer		
	Total at Second Pass Approval	5,762.7	
Jun 23	Exchange Variation	(105.3)	
Jun 23	Total Budget	5,657.3	
	Project Expenditure		
Prior to Jul 22	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(1,571.6)	
	Contract Expenditure – NIOA Pty Ltd	(78.2)	
	Contract Expenditure – Universal Motion Simulators Pty Ltd	(26.7)	
	Contract Expenditure – EOS Defence System Pty Ltd	(6.8)	

Notice to reader

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

FY to Jun 23	Other Contract Payments / Internal Expenses	(167.7)	1
		(1,851.0)	
	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(466.0)	2
	Contract Expenditure – NIOA Pty Ltd	(12.1)	
	Contract Expenditure – EOS Defence System Pty Ltd	(5.9)	
	Contract Expenditure – Varley Rafael Australia Pty Ltd	(0.7)	
Jun 23	Contract Expenditure – Universal Motion Simulators Pty	(0.5)	
	Other Contract Payments / Internal Expenses	(84.4)	3
		(569.6)	
Jun 23	Total Expenditure	(2,420.6)	
Jun 23	Remaining Budget	3,236.8	

Notes

1	Other Expenses (\$167.7m) are for Risk Mitigation Activity Contracts with Rheinmetall Landsysteme GmbH and BAE Systems Australia Pty Ltd (\$50.0m), Project Office Administration (\$62.3m), Command, Control, Communications, Computers and Intelligence (C4I) (\$23.8m), Extended Payment Terms Finance Charge (\$17.4m), Support Contract (\$3.4m), German Quality Assurance (\$3.2m), Test and Evaluation (\$3.4m), Risk Mitigation Activity – Other (\$0.9m), Remote Weapon Station – Block I (\$0.6m), Support (\$1.4m), Customs Duty (\$0.8m) and other (\$0.5m).
2	Stop Payment Milestone 070 has been executed effected as at 14 May 2023, which affects payments to only Rheinmetall Defence Australia Pty Ltd contract, with no impact to accruals for 30 June 2023.
3	Other Expenses (\$84.4m) are for C4I (\$54.5m), Project Office Administration (\$18.3m), Extended Payment Terms Arrangement (\$6.6m), Support (\$1.9m), Anti-Tank Guided Missile (\$1.5m) German Quality Assurance (\$0.7m), Test and Evaluation (\$0.4m), other (\$0.3m) and Customs Duty (\$0.2m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
508.8	685.7	616.4	<u>Portfolio Budget Statement (PBS) to Portfolio Additional Estimates Statement (PAES):</u> The variation from PBS to PAES is primarily due to a milestone schedule and commercial reset of the Rheinmetall Defence Australia Pty Ltd acquisition contract. <u>PAES to Final Plan:</u> The variation from PAES to Final Plan is primarily due to later than expected achievement of a milestone in the Rheinmetall Defence Australia Pty Ltd acquisition contract. The delay is caused by a combination of technical and labour shortage issues.
Variance \$m	176.9	(69.3)	Total Variance (\$m): 107.7
Variance %	34.8	(10.1)	Total Variance (%): 21.2

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(32.8)	Australian Industry	The YE variance is primarily due to the delay to the procurement of sparing equipment, delay to delivery of radio equipment and slippage of contract milestones with Rheinmetall Defence Australia Pty Ltd and other contracted parties.
		(12.8)	Foreign Industry	
		-	Early Processes	
		(1.2)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
616.4	569.6	(46.8)	Total Variance	
		(7.6)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
NIOA Pty Ltd	Jul 18	47.3	99.2	Firm or Fixed	Standard Defence Contract	4
Rheinmetall Defence Australia Pty Ltd	Aug 18	3,890.2	3,849.9	Firm or Fixed	Standard Defence Contract	1, 3
Universal Motion Simulators Pty Ltd	Dec 18	29.1	31.4	Firm or Fixed	Standard Defence Contract	-

EOS Defence System Pty Ltd	Dec 19	50.2	59.9	Firm or Fixed	Standard Defence Contract	2, 3
Varley Rafael Australia Pty Ltd	May 23	45.7	46.0	Firm or Fixed	Standard Defence Contract	5
Notes						
1	Contract value as at signature is based on PBS 2018-19 budgeted exchange rates. The commitment value included price escalation estimates.					
2	Contract value as at signature is based on Mid-Year Economic and Fiscal Outlook 2019-20 budgeted exchange rates. The commitment value included price escalation estimates.					
3	The price at 30 June 2023 is \$40.3m lower than the price at Rheinmetall Defence Australia Pty Ltd contract signature due to contract changes, exchange rate variation and price escalation. The price at 30 June 2023 is \$9.7m higher than the price at EOS Defence System Pty Ltd contract signature due to contract changes, exchange rate variation and price escalation.					
4	Contract value as at signature reflects initial order quantity only not current value including additional purchase orders.					
5	Contract value as at signature is based on PBS 2023-24 budgeted exchange rates.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
NIOA Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Rheinmetall Defence Australia Pty Ltd	211	211	CRV, 12 Mission Modules, Support and Test Equipment and Training Equipment.	1
Universal Motion Simulators Pty Ltd	6 1	6 1	Reconfigurable Driver Simulator – Fixed Part Task Trainer – Reconfigurable Driver Simulator.	-
EOS Defence System Pty Ltd	82	82	Remote Weapon Station.	-
Varley Rafael Australia Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Major equipment accepted and quantities to 30 Jun 23				
As at 30 June 2023:				
25 CRV have been accepted. - A classified quantity and variety of explosive ordnance has been accepted.				
Notes				
1	In FY 2019-20, the quantity reported at contract signature was 223 – this figure included 211 CRV and the 12 additional Mission Modules. This figure has been updated to 211 to more correctly define the number of complete CRV.			

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) targets with NIOA Pty Ltd as the contract is managed by Land Explosive Ordnance. NIOA Pty Ltd has an AIC plan that maximises Australian Industry involvement across Design Development, Production Activities, Integrated Logistics Support (ILS) and Contractor Data Requirement Lists.
The project has contracted AIC targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in Rheinmetall Defence Australia Pty Ltd's AIC Plans in the support of their design, manufacturing, integration, ILS and Project Management activities.
The project has contracted AIC targets with Universal Motion Simulators Pty Ltd. Universal Motion Simulators Pty Ltd has an AIC plan that maximise Australian Industry involvement across Design Development, Production Activities, ILS, Contractor Data Requirement Lists and Project Management Office activities.
The project has contracted AIC targets with EOS Defence System Pty Ltd. EOS Defence System Pty Ltd has an AIC plan that maximise Australian Industry involvement across the Design Development, Production, Contractor Data Requirement Lists and Project Management Office activities.
The project has identified AIC targets based on those opportunities that maximise internationally competitive Australian industry involvement which will be captured in Varley Rafael Australia Pty Ltd Domestic Manufacture Business Case to be delivered in November 2023 in the support of their design, manufacturing, integration, ILS and project management activities.
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	Block I – Multi Purpose Vehicle	N/A	N/A	Nov 18	N/A	1, 2
	Block I – Reconnaissance	Nov 18	N/A	Nov 18	0	1

	Block II – Joint Fires and Surveillance	Jul 19	N/A	Jul 19	0	1
	Block II – Command and Control	Jun 19	N/A	Jul 19	1	1
	Block II – Reconnaissance	Jan 19	N/A	Feb 19	1	1
	Block II – Repair	Aug 19	Oct 19	Sep 19	1	1
	Block II – Recovery	Feb 19	N/A	Feb 19	0	1
Preliminary Design	Block I – Multi Purpose Vehicle	N/A	N/A	Jan 19	N/A	1, 2
	Block I – Reconnaissance	May 19	N/A	May 19	0	1
	Block II – Joint Fires and Surveillance	Dec 20	Jan 23	May 23	30	1, 3, 9, 10
	Block II – Command and Control	Jul 20	Jan 23	May 23	35	1, 4, 9, 10
	Block II – Reconnaissance	Jul 19	N/A	Sep 19	2	1, 3, 5
	Block II – Repair	Dec 21	May 23	Mar 24	27	1, 9, 10
	Block II – Recovery	Feb 20	Sep 22	Aug 22	30	1, 6, 9
Critical Design	Block I – Multi Purpose Vehicle	Jan 19	N/A	Aug 19	7	1, 2, 7
	Block I – Reconnaissance	Oct 19	N/A	Nov 19	1	1
	Block II – Joint Fires and Surveillance	Nov 21	Oct 23	Jun 24	31	1, 3, 9, 10
	Block II – Command and Control	Apr 21	Oct 23	Jun 24	38	1, 4, 9, 10
	Block II – Reconnaissance	May 20	May 22	Aug 22	27	1, 8, 9
	Block II – Repair	Sep 22	Feb 24	Feb 25	29	1, 9, 10
	Block II – Recovery	Mar 21	May 23	Dec 23	33	1, 9, 10
Notes						
1	The date represents the exit of the Design Review.					
2	The Multi-Purpose Vehicle was only required to conduct a DDR.					
3	Delay was due to the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals (CCP), uncertainty with the load list, and delays associated with the Command and Control variant.					
4	Delay was due to a combination of the introduction of the Electronic Architecture and COVID-19 CCPs, and uncertainty with the load list.					
5	Delay was due to a failure to satisfy all Preliminary Design Review (PDR) requirements which resulted in Defence invoking a Stop Payment in July 2019 – this has now been lifted.					
6	Delay was due to a Commonwealth request for a risk reduction activity (in the form of a capability demonstration) to be incorporated into the review.					
7	Delay was due to the late achievement of PDR and an underestimation of the time required to implement the design changes following the fitment exercise.					
8	Delay was due to a combination of the Stop Payment (in July 2019) – Note 5 refers; the introduction of the Electronic Architecture and COVID-19 CCPs; the entry criteria for this activity not being met; and failure to exit the design review on schedule.					
9	The additional variance is due to the execution of CCP026 which incorporated a series of capability improvements and addressed further COVID-19 delays.					
10	The variance for FY 2022-23 was due to supply chain issues and also the ability of the main contractor to adequately resource the program with appropriately skilled resources.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/ Forecast	Variance (Months)	Notes
System Integration and Acceptance	Block I – Multi Purpose Vehicle	Oct 20	N/A	Dec 20	2	1, 2
	Block I – Reconnaissance	Oct 20	N/A	Jun 21	8	1, 2
	Block II – Joint Fires and Surveillance	Oct 26	Apr 27	Jun 27	8	1, 3, 4, 5
	Block II – Command and Control	Jun 26	Apr 27	Jun 27	12	1, 3, 5
	Block II – Reconnaissance	Oct 26	May 27	Jul 27	9	1, 3, 4, 5
	Block II – Repair	Jun 26	May 27	Jul 27	13	1, 3, 5
	Block II – Recovery	Mar 26	Oct 26	Feb 27	11	1, 3, 4, 5
Notes						
1	Dates specified are based on acceptance of the final delivery for each variant.					
2	Delivery was delayed due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.					
3	The variance is due to a combination of technical changes made to all variants and the impact of COVID-19 in both Europe and Australia.					

4	While the forecasts are earlier than currently contracted, the milestones have still slipped overall compared to the previously reported forecasts.
5	The variance for FY 2022-23 have been related to supply chain issues and also the ability of Rheinmetall Defence Australia Pty Ltd to adequately resource the program with appropriately skilled resources.

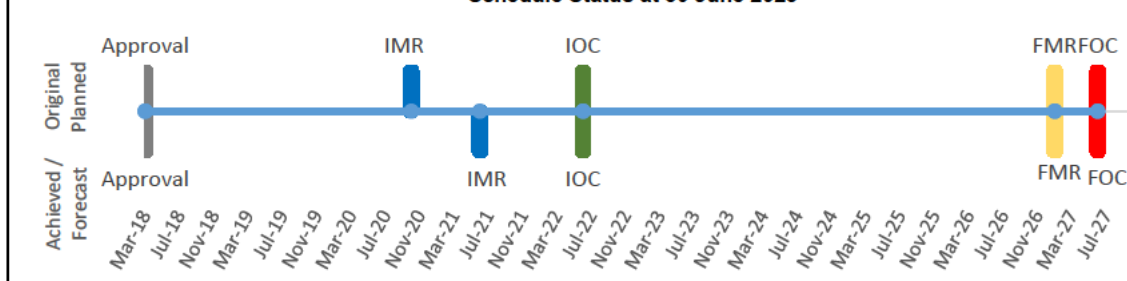
3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 20	Jun 21	8	1, 2, 3
Initial Operational Capability (IOC)	Jun 22	Jun 22	0	1, 4
Final Materiel Release (FMR)	Jan 27	Jan 27	0	1, 6
Final Operational Capability (FOC)	Jun 27	Jun 27	0	1, 5, 6

Notes

1	Refer to Section 4.2 for definitions of these milestones.
2	The variance is due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.
3	IMR was met with the delivery of 21 vehicles to the 7 th Brigade in June 2021. IMR was declared with three exceptions which are further explained in Section 5.2.
4	IOC was declared on 29 June 2022, when the first operationally-deployable CRV element (the first Mounted Combat Squadron) including mission, support and training systems, and facilities, if required, was delivered to the first Combat Brigade and support organisations, and accepted into service. The Block I vehicles experienced some technical issues during Operational Test and Evaluation activities, however these were not impediments to a IOC declaration – these are explained further in Section 5.2.
5	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure FOC is achieved on schedule.
6	The outcomes of the update to the Materiel Acquisition Agreement (MAA) and the conduct of the Integrated Baseline Review may have an impact on the Forecasted dates for FMR and FOC. The revision and approved Version 2 of the MAA is not expected until Quarter 4, 2023.

Schedule Status at 30 June 2023



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 Materiel Capability Requirements as expressed in the MAA.
	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)	IMR occurred in June 2021 when 21 CRV mission systems were delivered to 7 th Brigade, Brisbane; and the initial contractor-provided logistics support arrangements were established. These included: user documentation, technical data, maintenance support, logistics instructions, engineering support, spares, and training systems.	Achieved with Exceptions
Initial Operational Capability (IOC)	IOC occurred on schedule in June 2022 when the first operationally deployable CRV element, including mission support, training systems and facilities, if required, were delivered to one Combat Brigade and support organisations, and accepted into operational service.	Achieved
Final Materiel Release (FMR)	FMR will occur with final delivery of the CRV capability. It includes: • Delivery of all vehicles, spares and attrition, and simulation training enablers for the CRV capability to all gaining units; and, • Logistics support arrangements, including: user documentation; technical data; maintenance support, logistics instruction, engineering support; spares; training systems; and facilities. Forecast: January 2027.	Not yet Achieved
Final Operational Capability (FOC)	FOC will occur when: • The full scope of LAND400 Phase 2, including mission, support and training systems, and facilities (if required), has been delivered to the three Combat Brigades and support organisations, and accepted into operational service. • Support arrangements are finalised in accordance with the ILS Plan. • The three Armoured Cavalry Regiments are declared operationally ready by the Capability Manager (including training fleets, and spares and attrition stock vehicles). Forecast: June 2027.	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	<u>Failure to achieve FOC on schedule</u> There is a risk that delays in training equipment delivered due to the combined impacts of COVID-19, technical difficulties, global supply chain disruption, and problems faced by Rheinmetall Defence Australia Pty Ltd.	The Commonwealth has worked intensively with Rheinmetall Defence Australia Pty Ltd to reduce delays. Despite this, the project assesses that achievement of FOC is currently a High risk and is being actively managed by Commonwealth and Industry senior leadership.
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
	N/A	

5.2 Major Project Issues

Ref#	Description	Remedial Action
1	<u>Training equipment fails to enter DDR on Schedule</u> There is a risk that delays in training equipment delivered by Rheinmetall Defence Australia Pty Ltd will impact project schedule and capability.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to seek assurance of the training equipment design maturity to enter into a DDR and also support a Training Readiness Review to meet the requirements of schedule and capability.
2	<u>The RECOV Variant fails to enter DDR on Schedule</u> There is a risk that RECOV Variant design maturity level will impact DDR entry milestone dates.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to DDR during fortnightly Program Management Review meetings. The Commonwealth is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of DDR activities.
3	<u>IMR Exceptions</u> IMR was declared with three exceptions relating to: • the completion of Functional Configuration Audit and Physical Configuration Audit, • the integration of electronic counter measures, and • transportability studies including air transportability and integration with other Army vehicles.	The project has completed remediation work to address the integration of electronic counter measures. The project expects to complete the remaining two exceptions in October 2023.

4	Block I Technical Issues There is an issue that the Block I vehicles experienced some minor technical issues during introduction into use – issues like these are to be expected in a project of this size and complexity. Whilst the issues did result in increased risk being accepted by the Capability Manager, none were impediments to the declaration of IOC. The issues were associated with human factors, towing, and air transportability.	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to address these and is expected to be resolved in 2023 within the timeframes required by Army. The issue for the Block I towing has been resolved with the approval of the acceptance test report and approval of the Engineering Change Proposal. The human factors issues have been addressed with the approval of the Engineering Change for the Turret Software Upgrade. For the air transportability issue there is agreed way forward to resolve the issue.
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Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and Capability Acquisition and Sustainment Group (CASG) Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository. The project has captured eight lessons related to Requirements Management, Resourcing and Governance and Governance. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorised any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Observation. Whole of capability focus – The project should establish and maintain a 'whole of capability' focus in delivering the Boxer CRV, including management of all fundamental inputs to capability and commonality and alignment across the support and training systems to retain its effectiveness in rapidly changing threat and technology environments.	Requirements Management
Lesson Type – Observation. Capability Manager and stakeholder engagement are an essential part of the tender governance – arrangements should be established for regular participation of the 3-star Capability Manager and Deputy Secretary CASG in senior governance arrangements. It is recommended that each major acquisition program invite participation from Contestability Division, Joint Force Design, Industry Division and Defence Science and Technology at all levels of the Tender Evaluation Organisation.	Governance
Lesson Type – Observation. Industry engagement – Early engagement of 'Industry' (as one of the fundamental inputs to capability) is required to maximise Australian industry participation in delivering the capability. The requirements, guidance and parameters for industry involvement should be included in the tender documentation and facilitated industry engagement should be a standard part of any major acquisition project.	Requirements Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Armoured Vehicle Division
Branch	Armoured Fighting Vehicles Branch

Project Data Summary Sheet¹

Project Number	LAND400 Phase 2
Project Name	MOUNTED COMBAT RECONNAISSANCE CAPABILITY
First Year Reported in the MPR	2019–20
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 14
Government 2nd Pass Approval	Mar 18
Budget at 2nd Pass Approval	\$5,762.7m
Total Approved Budget (Current)	\$5,774.7m
2023–24 Budget	\$492.9m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND400 Phase 2 will acquire the Boxer 8x8 Combat Reconnaissance Vehicle (CRV) to meet Army's land combat reconnaissance requirements. The project is approved to acquire 211 vehicles, additional modules, training systems and support systems to replace the in-service capability provided by the Australian Light Armoured Vehicle.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2024 Financial Year (FY) 2023–24 expenditure was \$369.3m against the FY 2023–24 budget of \$492.9m. The year-end (YE) variance is primarily due to a delay to production progress, delivery and acceptance of Block II Reconnaissance Vehicles and Mandated System Review Milestones.

Project Financial Assurance Statement

As at 30 June 2024, LAND400 Phase 2 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers, 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 FY 2023–24.

Schedule Performance

The project has successfully achieved both Initial Materiel Release (IMR) (with exceptions) and Initial Operational Capability (IOC). The project schedule was adjusted in 2023 (resulting in increased variance to some milestones) to incorporate a series of contractual changes, principally focused on incorporating capability improvements and addressing supply chain delays and workforce availability. The project experienced delays in the exit of some design reviews and is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure the achievement of Final Operational Capability (FOC) is to be advised (TBA), however is at high risk.

On the 21 March 2024, the Heavy Weapon Carrier Procurement Agreement was signed and through the negotiation process, the legal and commercial arrangements between Australia and Germany included relevant conditions to ensure that LAND400 Phase 2 will have schedule priority over, and not be negatively impacted by the production of the German Heavy Weapon Carrier vehicles.

Materiel Capability/Scope Delivery Performance

The project achieved IMR with exceptions in June 2021 and achieved IOC in June 2022. Final Materiel Release (FMR) and FOC scope has had no materiel change.

Note

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

1.3 Project Context

Background

Government First Pass Approval occurred in December 2014 for a replacement CRV. An assessment prior to First Pass Approval identified that current Military-Off-The-Shelf solutions were unlikely to meet all of Army's capability requirements. Government Second Pass Approval occurred in March 2018 with Rheinmetall Defence Australia Pty Ltd as the preferred tenderer to deliver the Australianised Boxer 8x8 CRV. In August 2018, Defence signed the acquisition contract for 211 Boxer CRV, to be delivered in two

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.

blocks.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As the new process was introduced after LAND400 Phase 2 had approached the market, it was not feasible to implement it within the timeframe available.

In June 2022, Defence, through acceptance of the Block I Boxer CRV achieved IOC on schedule. The Block II Boxer CRVs will be substantially built and assembled in Australia consistent with the transition of technology, manufacturing techniques and assembly line production to Australia. There will remain some vehicle subsystems for which the transfer of manufacture or assembly from Europe to Australia is not cost-effective and will continue to be sourced from Europe. Final assembly, integration, set to work, and testing of these elements will occur in Australia. Selected low-volume CRV variants will continue to be assembled in Germany.

In June 2023, the project was elevated to the Capability Acquisition and Sustainment Group (CASG) Group Watch List due to project complexity and the growing risk to schedule for the delivery of Block II vehicles.

On the 14 December 2023, Defence advised via letter that the stop payment related to Recovery Detailed Design Review (DDR) was released with the formal submission of the DDR entry criteria assessment.

On 27 June 2024, the project was elevated to a Project of Interest (POI) due to the complexity associated with the parallel delivery of LAND400 Phase 2 and the German Boxer Heavy Weapon Carrier Procurement agreement, together with ongoing schedule pressure on LAND400 Phase 2 to achieve its FOC milestone.

The project continues to work intensively within Rheinmetall Defence Australia Pty Ltd through an Integrated Baseline Review to establish an assured project baseline with exit subject to the demonstration of consistent performance against the proposed baseline. Together with the conduct of the next Independent Assurance Review planned to be conducted in Quarter 4 2024, from which POI exit criteria and governance milestones will be measured. The project expects if all exit criteria are met that the earliest opportunity to meet exit criteria would be December 2025.

The Boxer CRV will form part of Army's modernised Armoured Fighting Vehicle capability, until its life-of-type.

Uniqueness

LAND400 Phase 2 is unique for two reasons. Firstly, Australia is the first nation acquiring a Boxer vehicle with a manned-turret, a variant that other countries have expressed an interest in. Secondly, the project is acquiring a uniquely designed Reconfigurable Driver Training Simulator – a system that was designed in Australia, won an Essington-Lewis Award for the best minor acquisition under \$50.0m million in 2020, and is attracting global interest for follow-on sales.

Major Risks and Issues

The project is currently managing the following Major Project Risks:

- Failure to achieve FOC on schedule.
- The project during the reporting period has retired this risk and raised an emergent risk for 'the integration of Active Protection System causes Schedule Delay'.

The project is currently managing the following Emergent Risks:

- The Repair variant fails to Enter Preliminary Design Review (PDR) on Schedule.
- The Reconnaissance variant fails to meet reliability requirements.
- The concurrent Verification and Validation activities overlap for Recovery, Command and Control and Joint Fires / Surveillance variants.
- The integration of Active Protection System causes Schedule Delay.

The project is currently managing the following issues:

- Training equipment fails to enter DDR on schedule. The project during the reporting period has retired this risk.
- The Recovery Variant fails to Exit DDR on schedule.
- The integration of the Digital Terminal Control System into the Joint Fires variant.
- The availability of permanent facilities for the Combat Reconnaissance Vehicle training equipment.
- The Verification and Validation Program delays impact Reconnaissance Block II Training readiness Review.
- The project is managing a small quantity of residual issues associated with IMR exceptions and Block I Technical issues.

Other Current Related Projects/Phases

LAND200 Tranche 2 - Battlefield Command Systems. LAND400 Phase 2 is funding and delivering an interim Battlefield Management System (BMS) and Tactical Communications Network (TCN) capabilities that are required to be interoperable with the LAND200 Tranche 2 system. The LAND200 Tranche 2 project preceded LAND400 Phase 2 project approval. As a result, the LAND200 Tranche 2 scope related to the delivery of Army's BMS and TCN capabilities did not include the funding of LAND200 Tranche 2 equipment into the LAND400 Phase 2 CRV Boxer platform. The LAND200 Tranche 2 project is listed as a dependency from the perspective that the LAND400 Phase 2 interim BMS and TCN capabilities need to be interoperable with the final LAND200 BMS and TCN solution. LAND400 Phase 2 has not been notified of the date for the delivery of the final LAND200 BMS and TCN solution.

LAND154 Phase 2 - Joint Counter Improvised Explosive Device Capability. Force Protection Electronic Counter Measures solution integrated into the CRV as Government Furnished Equipment.

Note

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

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Dec 14	Original Approved (Government First Pass Approval)	116.7	
Mar 18	Government Second Pass Approval	5,646.0	
	Total at Second Pass Approval	5,762.7	
Jun 24	Exchange Variation	12.0	
Jun 24	Total Budget	5,774.7	
Project Expenditure			
Prior to Jul 23	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(2,037.5)	
	Contract Expenditure – NIOA Pty Ltd	(90.3)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	(27.3)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(12.7)	
	Contract Expenditure – Varley Rafael Australia Pty Ltd	(0.7)	
	Other Contract Payments / Internal Expenses	(252.1)	1
		(2,420.6)	
FY to Jun 24	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(308.2)	2
	Contract Expenditure – NIOA Pty Ltd	(5.9)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	(4.9)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(2.0)	
	Contract Expenditure – Varley Rafael Australia Pty Ltd	(1.1)	
	Other Contract Payments / Internal Expenses	(47.2)	3
		(369.3)	
Jun 24	Total Expenditure	(2,789.9)	
Jun 24	Remaining Budget	2,984.8	
Notes			
1	Other Expenses are for Project Office Administration (\$80.1m), Command, Control, Communications, Computers and Intelligence (C4I) (\$78.2m), Risk Mitigation Activity Contracts with Rheinmetall Defence Australia Pty Ltd Landsystem GmbH and BAE Systems Australia Pty Ltd (\$50.0m), Extended Payment Terms Finance Charge (\$23.9m), German Quality Assurance (\$4.0m), Test and Evaluation (\$3.9m), Support Contract (\$3.6m), Support (\$3.5m), Anti-Tank Guided Missile (\$1.5m), Other (\$1.0m), Risk Mitigation Activity – Other (\$0.9m), Customs Duty (\$0.9m) and Remote Weapon Station – Block I (\$0.6m).		
2	Milestone 070 was not achieved by 14 May 2023, and the Commonwealth invoked a Stop Payment on 7 June 2023. The Stop Payment had no impact to expenditure for 30 June 2024 as it was lifted on 14 December 2023, only affecting payments to Rheinmetall Defence Australia Pty Ltd contract, over that period.		
3	Other Expenses are for Project Office Administration (\$18.4m), C4I (\$16.6m), Anti-Tank Guided Missile (\$5.3m), Active Protection System (\$3.1m), Other (\$0.7m), Support (\$0.6m), Trailers (\$0.6m), German Quality Assurance (\$0.5m), Training (\$0.4m), Test and Evaluation (\$0.3m), Extended Payment Terms Arrangement (\$0.3m), Integrated Logistics Support(ILS) Equipment (\$0.2m) and Customs Duty (\$0.2m).		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
812.3	612.5	492.9	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> The variation from PBS to PAES is primarily due to a combination of production and manufacturing delays in Europe, the impact of COVID-19 on supply chains in both Europe and Australia, and foreign exchange movements. The delays have resulted in the rescheduling of contract Milestones, including integration activities, and deliveries for equipment and spares. <u>PAES to Final Plan:</u> The variation from PAES to Final Plan is primarily due to the timing of various Rheinmetall Defence Australia Pty Ltd milestones, spares, integrated logistics costs and other activities.
Variance \$m	(199.8)	(119.6)	Total Variance (\$m): (319.4)

Notice to reader

2. As per the JCPAA 2023-24 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.

Variance %	(24.6)	(19.5)	Total Variance (%): (39.3)
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2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(116.4)	Australian Industry	The YE under achievement of \$123.5m is primarily due to delays to: - Production progress, delivery and acceptance of Block II Reconnaissance Vehicles and Mandated System Review Milestones. - Antenna Suite (Rover 6S Wedding cake). - Active Protection System (APS) development. - Recommended Provisioning List equipment. - Contractor Support (less than anticipated costs). - Remote Weapon Station design, testing and development.
		(2.4)	Foreign Industry	
		-	Early Processes	
		(4.7)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
492.9	369.3	(123.5)	Total Variance	
		(25.1)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
NIOA Pty Ltd	Jul 18	47.3	100.0	Firm or Fixed	Standard Defence Contract	4
Rheinmetall Defence Australia Pty Ltd	Aug 18	3,890.2	3,911.5	Firm or Fixed	Standard Defence Contract	1, 3
Universal Motion Simulator Pty Ltd	Dec 18	29.1	32.1	Firm or Fixed	Standard Defence Contract	-
EOS Defence Systems Pty Limited	Dec 19	50.2	62.0	Firm or Fixed	Standard Defence Contract	2, 3
Varley Rafael Australia Pty Ltd	May 23	45.7	47.4	Firm or Fixed	Standard Defence Contract	5
Notes						
1	Contract value as at signature is based on PBS 2018-19 budgeted exchange rates. The commitment value included price escalation estimates.					
2	Contract value as at signature is based on Mid-Year Economic and Fiscal Outlook 2019-20 budgeted exchange rates. The commitment value included price escalation estimates.					
3	The price at 30 June 2024 is \$21.3m higher than the price at Rheinmetall Defence Australia Pty Ltd contract signature due to contract changes, exchange rate variation and price escalation. The price at 30 June 2024 is \$11.8m higher than the price at EOS Defence Systems Pty Limited contract signature due to contract changes, exchange rate variation and price escalation.					
4	Contract value as at signature reflects initial order quantity only not current value including additional purchase orders.					
5	Contract value as at signature is based on PBS 2023-24 budgeted exchange rates.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
NIOA Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Rheinmetall Defence Australia Pty Ltd	211	211	CRV, 12 Mission Modules, Support and Test Equipment and Training Equipment.	1
Universal Motion Simulator Pty Ltd	6 1	6 1	Reconfigurable Driver Simulator – Fixed Part Task Trainer – Reconfigurable Driver Simulator.	-
EOS Defence Systems Pty Limited	82	82	Remote Weapon Station.	-
Varley Rafael Australia Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Major equipment accepted and quantities to 30 Jun 24				
As at 30 June 2024:				
25 x CRV Block I and 1 x CRV Block II has been accepted. - A classified quantity and variety of Explosive Ordnance has been accepted. 6 x Reconfigurable Driver Simulators and 1 x Trainer have been accepted.				

Notes	
1	In FY 2019-20, the quantity reported at contract signature was 223 – this figure included 211 CRV and the 12 additional Mission Modules. This figure has been updated to 211 to more correctly define the number of complete CRV.

2.4 Australian Industry Capability

Summary	
The project has no contracted Australian Industry Capability (AIC) targets with NIOA Pty Ltd as the contract is managed by Land Explosive Ordnance. NIOA Pty Ltd has an AIC plan that maximises Australian Industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.	
The project has contracted AIC targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in Rheinmetall Defence Australia Pty Ltd AIC Plans in the support of their design, manufacturing, integration, ILS and Project Management activities.	
The project has contracted AIC targets with Universal Motion Simulator Pty Ltd. Universal Motion Simulator Pty Ltd has an AIC plan that maximise Australian Industry involvement across Design Development, Production Activities, ILS, Contractor Data Requirement Lists and Project Management Office activities.	
The project has contracted AIC targets with EOS Defence Systems Pty Limited. EOS Defence Systems Pty Limited has an AIC plan that maximise Australian Industry involvement across the Design Development, Production, Contractor Data Requirement Lists and Project Management Office activities.	
The project has no contracted AIC targets with Varley Rafael Australia Pty Ltd as the contract is managed by Land Explosive Ordnance. Varley Rafael Australia Pty Ltd has an AIC plan that maximises Australian Industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.	
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	Block I – Multi Purpose Vehicle	N/A	N/A	Nov 18	N/A	1, 2
	Block I – Reconnaissance	Nov 18	N/A	Nov 18	0	1
	Block II – Joint Fires and Surveillance	Jul 19	N/A	Jul 19	0	1
	Block II – Command and Control	Jun 19	N/A	Jul 19	1	1
	Block II – Reconnaissance	Jan 19	N/A	Feb 19	1	1
	Block II – Repair	Aug 19	Oct 19	Sep 19	1	1
	Block II – Recovery	Feb 19	N/A	Feb 19	0	1
Preliminary Design	Block I – Multi Purpose Vehicle	N/A	N/A	Jan 19	N/A	1, 2
	Block I – Reconnaissance	May 19	N/A	May 19	0	1
	Block II – Joint Fires and Surveillance	Dec 20	Jan 23	May 23	30	1, 3, 9
	Block II – Command and Control	Jul 20	Jan 23	May 23	34	1, 4, 9
	Block II – Reconnaissance	Jul 19	N/A	Sep 19	2	1, 3, 5
	Block II – Repair	Dec 21	May 23	Jun 25	42	1, 9, 10
	Block II – Recovery	Feb 20	Sep 22	Aug 22	30	1, 6, 9
Critical Design	Block I – Multi Purpose Vehicle	Jan 19	N/A	Aug 19	7	1, 2, 7
	Block I – Reconnaissance	Oct 19	N/A	Nov 19	1	1
	Block II – Joint Fires and Surveillance	Nov 21	Oct 23	NFP	NFP	1, 3, 9, 10
	Block II – Command and Control	Apr 21	Oct 23	NFP	NFP	1, 4, 9, 10
	Block II – Reconnaissance	May 20	May 22	Aug 22	27	1, 8, 9
	Block II – Repair	Sep 22	Feb 24	NFP	NFP	1, 9, 10
	Block II – Recovery	Mar 21	May 23	Sep 24	42	1, 9, 10
Notes						
1	The date represents the exit of the Design Review.					
2	The Multi-Purpose Vehicle was only required to conduct a DDR.					
3	Delay was due to the introduction of the Electronic Architecture and COVID-19 Contract Change Proposals (CCP), uncertainty with the load list, and delays associated with the Command and Control variant.					
4	Delay was due to a combination of the introduction of the Electronic Architecture and COVID-19 CCPs, and uncertainty with the load list.					

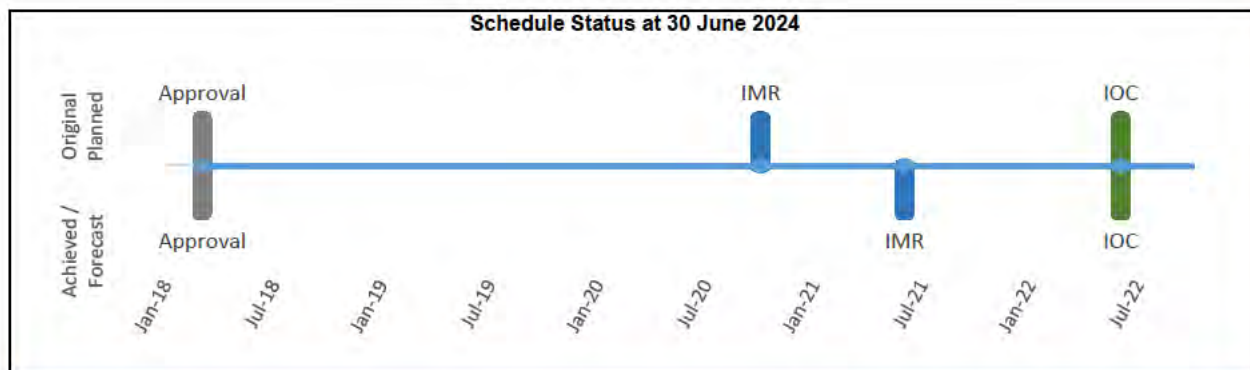
5	Delay was due to a failure to satisfy all PDR requirements which resulted in Defence invoking a Stop Payment in July 2019 – this has now been lifted.
6	Delay was due to a Commonwealth request for a risk reduction activity (in the form of a capability demonstration) to be incorporated into the review.
7	Delay was due to the late achievement of PDR and an underestimation of the time required to implement the design changes following the fitment exercise.
8	Delay was due to a combination of the Stop Payment (in July 2019) – Note 5 refers; the introduction of the Electronic Architecture and COVID-19 CCPs; the entry criteria for this activity not being met; and failure to exit the design review on schedule.
9	The additional variance is due to the execution of CCP026 which incorporated a series of capability improvements and addressed further COVID-19 delays.
10	The variance for FY 2023-24 was due to supply chain issues and also the ability of the main contractor to adequately resource the program with appropriately skilled resources.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration and Acceptance	Block I – Multi Purpose Vehicle	Oct 20	N/A	Dec 20	2	1, 2
	Block I – Reconnaissance	Oct 20	N/A	Jun 21	8	1, 2
	Block II – Joint Fires and Surveillance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
	Block II – Command and Control	NFP	NFP	NFP	NFP	1, 3, 5, 6
	Block II – Reconnaissance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
	Block II – Repair	NFP	NFP	NFP	NFP	1, 3, 5, 6
	Block II – Recovery	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6
Notes						
1	Dates specified are based on acceptance of the final delivery for each variant.					
2	Delivery was delayed due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.					
3	The variance is due to a combination of technical changes made to all variants and the impact of COVID-19 in both Europe and Australia.					
4	While the forecasts are earlier than currently contracted, the milestones have still slipped overall compared to the previously reported forecasts.					
5	The variance for FY 2023-24 relates to supply chain issues and the ability of Rheinmetall Defence Australia Pty Ltd to adequately resource the program with appropriately skilled resources.					
6	The forecast dates are from Rheinmetall Defence Australia Pty Ltd Contract Master Schedule V31.2, which is the basis of the proposed baseline from Integrated Baseline Review (IBR). This baseline is yet to be approved by the Commonwealth and is subject to IBR negotiations, which will commence in June 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 20	Jun 21	8	1, 2, 3
Initial Operational Capability (IOC)	Jun 22	Jun 22	0	1, 4
Final Materiel Release (FMR)	NFP	NFP	NFP	1, 6
Final Operational Capability (FOC)	NFP	NFP	NFP	1, 5, 6
Notes				
1	Refer to Section 4.2 for definitions of these milestones.			
2	The variance is due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.			
3	IMR was met with the delivery of 21 vehicles to the 7 th Brigade in June 2021. IMR was declared with three exceptions which are further explained in Section 5.2.			
4	IOC was declared on 29 June 2022, when the first operationally-deployable CRV element (the first Mounted Combat Squadron) including mission, support and training systems, and facilities, if required, was delivered to the first Combat Brigade and support organisations, and accepted into service. The Block I vehicles experienced some technical issues during Operational Test and Evaluation activities, however these were not impediments to an IOC declaration – these are explained further in Section 5.2.			
5	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure FOC is achieved on schedule, however is considered at high risk.			
6	The outcomes of the update to the Materiel Acquisition Agreement (MAA) and the conduct of the IBR may have an impact on the Forecasted dates for FMR and FOC. The revision and approved Version 2 of the MAA is not expected until Quarter 4, 2024 with the outcomes of the Defence Strategic Review.			

**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 Materiel Capability Requirements as expressed in the MAA.
	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)	IMR occurred in June 2021 when 21 CRV mission systems were delivered to 7 th Brigade, Brisbane; and the initial contractor-provided logistics support arrangements were established. These included: user documentation, technical data, maintenance support, logistics instructions, engineering support, spares, and training systems.	Achieved with Exceptions
Initial Operational Capability (IOC)	IOC occurred on schedule in June 2022 when the first operationally deployable CRV element, including mission support, training systems and facilities, if required, were delivered to one Combat Brigade and support organisations, and accepted into operational service.	Achieved
Final Materiel Release (FMR)	FMR will occur with final delivery of the CRV capability. It includes: - Delivery of all vehicles, spares and attrition, and simulation training enablers for the CRV capability to all gaining units. - Logistics support arrangements, including: user documentation, technical data, maintenance support, logistics instruction, engineering support, spares, training systems and facilities. Forecast: TBA.	Not yet Achieved
Final Operational Capability (FOC)	FOC will occur when: The full scope of LAND400 Phase 2, including mission, support and training systems, and facilities (if required), has	Not yet Achieved

	been delivered to the three Combat Brigades and support organisations, and accepted into operational service. - Support arrangements are finalised in accordance with the ILS Plan. - The three Armoured Cavalry Regiments are declared operationally ready by the Capability Manager (including training fleets, and spares and attrition stock vehicles). Forecast: TBA.	
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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)		
Ref#	Description	Remedial Action
1	Failure to achieve FOC on schedule. There is a risk that FOC will not be achieved on schedule due to the combined impacts of COVID-19, technical difficulties, global supply chain disruption, and problems faced by Rheinmetall Defence Australia Pty Ltd.	The Commonwealth has worked intensively with Rheinmetall Defence Australia Pty Ltd to reduce delays. Despite this, the project assesses that achievement of FOC is currently a High risk and is being actively managed by Commonwealth and Industry senior leadership.
2	The risk is not for publication.	

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
1	Block II – The Repair variant fails to Enter PDR on Schedule. There is a risk that Repair Variant design maturity level will impact PDR entry milestone dates.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to PDR during fortnightly Program Management Review meetings. The Commonwealth is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of PDR activities.
2	The Reconnaissance variant fails to meet reliability requirements. There is a chance that the Boxer CRV may fail to meet the contracted minimum reliability requirements, leading to an impact on the schedule.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage the Acceptance Verification and Validation activities designed to provide the required Reliability Availability Maintainability requirements.
3	The concurrent Verification and Validation activities overlap for Recovery, Command and Control and Joint Fires / Surveillance variants. The current schedule highlights the risk of concurrent Verification and Validation activities across all non-turreted vehicles. This could see a delay in Verification and Validation activities due to lack of staffing resources, facilities and external providers all being available concurrently.	The Commonwealth continues to work intensively with Rheinmetall Defence Australia Pty Ltd to provide an assured project baseline in order to mitigate potential risk to concurrent activities.
4	The integration of APS causes Schedule Delay. There is a risk that Rheinmetall Defence Australia Pty Ltd is unable to integrate the Army-preferred Active Protection System onto the CRV as it is not sufficiently mature.	The Commonwealth is working with Rheinmetall Defence Australia Pty Ltd to assess the cost, schedule, risk and capability impacts of integrating APS into all Block II Boxer CRV variants to inform considerations leading to a future solution.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Training equipment fails to enter DDR on Schedule. There is a risk that delays in training equipment delivered by Rheinmetall Defence Australia Pty Ltd will impact project schedule and capability.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to seek assurance of the training equipment design maturity to enter into a DDR and also support a Training Readiness Review to meet the requirements of schedule and capability. This issue has been mitigated through the conduct of the DDR and is now retired.
2	The Recovery Variant fails to Exit DDR on Schedule. There is a risk that Recovery Variant design maturity level will impact achievement of DDR Exit.	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to Exit DDR during fortnightly Program Management Review meetings. The Commonwealth is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of DDR activities.
3	The integration of the Digital Terminal Control System into the Joint Fires variant. There is an issue that the Joint Fires & Surveillance variant is unable to effectively conduct Joint Fires missions using a mounted or hosted NextGen Digital	The Commonwealth is working closely with Rheinmetall Defence Australia Pty Ltd to enable the hosting of the Digital Terminal Control System Mission System software into the CRV Common Hosting Environment.

Ref#	Description	Remedial Action
	Terminal Control System leading to an impact on performance.	
4	The availability of permanent facilities for the CRV training equipment. There is an issue of additional costs to the project in order to relocate training systems from interim facilities at Brisbane and Adelaide that are to be used while the permanent facilities are built.	The Commonwealth continues to work with the administrators for the St Hilliers voluntary administration to minimise the delays to the delivery of those affected Training facilities.
5	The Verification and Validation Program delays impact Reconnaissance Block II Training readiness Review. There is a chance that the Boxer CRV will fail to meet the contracted blast protection requirements, which may impact on cost, schedule, performance and safety.	The Commonwealth continues to work intensively with Rheinmetall Defence Australia Pty Ltd to provide an assured project baseline in order to mitigate potential risk to continued delays to the schedule and concurrent activities.
6	IMR Exceptions. IMR was declared with three exceptions relating to: - The completion of Functional Configuration Audit and Physical Configuration Audit. - The integration of electronic counter measures, and transportability studies including air transportability and integration with other Army vehicles.	The project has completed remediation work to address the integration of electronic counter measures. The project expects to complete the remaining two exceptions in October 2023. The Physical Configuration Audit was completed on the 7 December 2022 and the Functional Configuration Audit was completed on the 23 February 2024. The Project retained the Air Transportability task anticipated for closure.
7	Block I Technical Issues. There is an issue that the Block I vehicles experienced some minor technical issues during introduction into use – issues like these are to be expected in a project of this size and complexity. Whilst the issues did result in increased risk being accepted by the Capability Manager, none were impediments to the declaration of IOC. The issues were associated with human factors, towing, and air transportability.	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to address these and is expected to be resolved in 2023 within the timeframes required by Army. The issue for the Block I towing has been resolved with the approval of the acceptance test report and approval of the Engineering Change Proposal. The human factors issues have been addressed with the approval of the Engineering Change for the Turret Software Upgrade. For the air transportability issue there is agreed way forward to resolve the issue.

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 49 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. Whole of capability focus – The project should establish and maintain a 'whole of capability' focus in delivering the Boxer CRV, including management of all fundamental inputs to capability and commonality and alignment across the support and training systems to retain its effectiveness in rapidly changing threat and technology environments.	Engineering & Technical
DLR Lesson Type – Observation. Capability Manager and stakeholder engagement are an essential part of the tender governance – arrangements should be established for regular participation of the 3-star Capability Manager and Deputy Secretary CASG in senior governance arrangements. It is recommended that each major acquisition program invite participation from Contestability Division, Joint Force Design, Industry Division and Defence Science and Technology at all levels of the Tender Evaluation Organisation.	Program, Project & Product Management
DLR Lesson Type – Observation. Industry engagement – Early engagement of 'Industry' (as one of the fundamental inputs to capability) is required to maximise Australian industry participation in delivering the capability. The requirements, guidance and parameters for industry involvement should be included in the tender documentation and facilitated industry engagement should be a standard part of any major acquisition project.	Engineering & Technical

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Land Systems Division
Branch	Armoured Fighting Vehicles Branch

Project Data Summary Sheet

Project Number	LAND400 Phase 2
Project Name	MOUNTED COMBAT RECONNAISSANCE CAPABILITY
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Dec 14
Government 2nd Pass Approval	Mar 18
Budget at 2nd Pass Approval	\$5,762.7m
Total Approved Budget (Current)	\$5,775.6m
2024-25 In-year Budget	\$382.4m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

LAND400 Phase 2 will acquire the Boxer 8x8 Combat Reconnaissance Vehicle (CRV) to meet Army's land combat reconnaissance requirements. The project is approved to acquire 211 vehicles, additional modules, training systems and support systems to replace the in-service capability provided by the Australian Light Armoured Vehicle.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2025, Financial Year (FY) 2024-25 expenditure was \$351.5m against FY 2024-25 budget of \$382.4m. The year-end underspend is primarily due to a delay in explosive ordnance delivery and is partially offset by the delay to the execution of the Contract Change Proposal (CCP) for the Refund on Development Costs (RODC).

Project Financial Assurance Statement

As at 30 June 2025, LAND400 Phase 2 has reviewed the project's 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, there is sufficient budget remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not spent contingency in FY 2024-25.

Schedule Performance

The project has successfully achieved both Initial Materiel Release (IMR) (with exceptions) and Initial Operational Capability (IOC). The project schedule was adjusted on 16 December 2024 through an Integrated Baseline Review (IBR) to incorporate a series of contractual changes, principally focused on incorporating capability improvements and addressing supply chain delays and workforce availability. The project experienced delays in the exit of some design reviews and is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure the achievement of Final Operational Capability (FOC), however this achievement is at very high risk. A revised and approved Materiel Acquisition Agreement (MAA) with forecasted dates is expected in Quarter 4, 2025 aligned with the outcomes of the Defence Strategic Review.

On the 21 March 2024, the Heavy Weapon Carrier Procurement Agreement was signed and through the negotiation process, the legal and commercial arrangements between Australia and Germany included relevant conditions to ensure that LAND400 Phase 2 will have schedule priority over, and not be negatively impacted by the production of the German Heavy Weapon Carrier vehicles.

Materiel Capability/Scope Delivery Performance

The project achieved IMR with exceptions in June 2021 and achieved IOC in June 2022.

Final Materiel Release (FMR) and FOC scope has had no materiel change.

1.3 Project Context

Background

Government First Pass Approval occurred in December 2014 for a replacement CRV. An assessment prior to First Pass Approval identified that current Military Off-The-Shelf solutions were unlikely to meet all of Army's capability requirements. Government Second Pass Approval occurred in March 2018 with Rheinmetall Defence Australia Pty Ltd as the preferred tenderer to deliver the Australianised Boxer 8x8 CRV. In August 2018, Defence signed the acquisition contract for 211 Boxer CRV, to be delivered in two blocks.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As the new process was introduced after LAND400 Phase 2 had approached the market, it was not feasible to implement it within the timeframe available.

In June 2022, Defence, through acceptance of the Block I Boxer CRV achieved IOC on schedule. The Block II Boxer CRVs will be substantially built and assembled in Australia consistent with the transition of technology, manufacturing techniques and assembly

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line production to Australia. There will remain some vehicle subsystems for which the transfer of manufacture or assembly from Europe to Australia is not cost-effective and will continue to be sourced from Europe. Final assembly, integration, set to work, and testing of these elements will occur in Australia. In June 2023, the project was elevated to the Capability Acquisition and Sustainment Group (CASG) Group Watch List due to project complexity and the growing risk to schedule for the delivery of Block II vehicles. On the 14 December 2023, Defence advised via letter that the stop payment related to Recovery Detailed Design Review (DDR) was released with the formal submission of the DDR entry criteria assessment. A new stop payment was enacted in June 2025 for the late delivery of Reconnaissance Vehicle (RECON) 28 and is expected to be lifted in early August 2025. On 27 June 2024, the project was elevated to a Project of Interest (POI) due to the complexity associated with the parallel delivery of LAND400 Phase 2 and the German Boxer Heavy Weapon Carrier Procurement agreement, together with ongoing schedule pressure on LAND400 Phase 2 to achieve its FOC milestone. The criteria that the POI status will be assessed against: • Rheinmetall Defence Australia Pty Ltd must achieve Commonwealth of Australia (CoA) approval of an assured baseline through the conduct of an IBR by December 2024. (Complete). • Rheinmetall Defence Australia Pty Ltd must meet all key milestones in the revised schedule throughout calendar year 2025. • Rheinmetall Defence Australia Pty Ltd must achieve delivery of 20 Heavy Weapon Carrier vehicles in calendar year 2025 while prioritizing LAND 400 Phase 2 vehicles. • Rheinmetall Defence Australia Pty Ltd to address LAND 400 Phase 2 supply chain shortages through an approved Supply Chain Remediation Plan. On the 20 August 2024, Defence advised via letter to invoke a stop payment due to the delayed delivery of the vehicle known as RECON 18. On 16 December 2024, the project completed the IBR negotiations with Rheinmetall Defence Australia Pty Ltd providing a measurable Contract Master Schedule (CMS). The "Stop Payment" was lifted when the CoA accepted the second Block II Boxer CRV RECON 18 on 18 December 2024 as well as receiving a CMS detailing an achievable program and related artefacts to the satisfactory to the CoA. The Boxer CRV will form part of Army's modernised Armoured Fighting Vehicle capability, until its life-of-type.
Uniqueness LAND400 Phase 2 is unique for two reasons. Firstly, Australia is the first nation acquiring a Boxer vehicle with a manned-turret, a variant that other countries have expressed an interest in. Secondly, the project is acquiring a uniquely designed Reconfigurable Driver Training Simulator – a system that was designed in Australia, won an Essington-Lewis Award for the best minor acquisition under \$50.0m in 2020, and is attracting global interest for follow-on sales.
Major Risks, Emergent Risks and Issues The project is currently managing the following Major Project Risks: • Failure to achieve FOC on schedule. • The Repair variant fails to Enter Preliminary Design Review (PDR) on Schedule. • The Reconnaissance variant fails to meet reliability requirements. • The integration of Active Protection System (APS) causes schedule delay. The project is currently managing the following Emergent Risks: • The Remote Weapon Station full rate production fails to meet schedule. • CoA failure to provide Remote Weapon Station to meet contract requirements. • Availability of Suitable Documentation to Enable CRV Training. • CRV Support System Fit for Purpose. The project is currently managing the following issues: • The Recovery Variant fails to Exit DDR on schedule. • The integration of the Digital Terminal Control System into the Joint Fires variant. • The availability of permanent facilities for the CRV training equipment. • The Verification and Validation (V&V) Program delays impact Reconnaissance Block II Training readiness Review. • The project is managing a small quantity of residual issues associated with IMR exceptions. Block I Technical issues. • Delivery of Reconnaissance Block II vehicles is delayed. • The concurrent V&V activities overlap for Recovery, Command and Control and Joint Fires/Surveillance variants.
Other Current Related Projects/Phases LAND200 Tranche 2 - Battlefield Command Systems. LAND400 Phase 2 is funding and delivering an interim Battlefield Management System (BMS) and Tactical Communications Network (TCN) capabilities that are required to be interoperable with the LAND200 Tranche 2 system. The LAND200 Tranche 2 project preceded LAND400 Phase 2 project approval. As a result, the LAND200 Tranche 2 scope related to the delivery of Army's BMS and TCN capabilities did not include the funding of LAND200 Tranche 2 equipment into the LAND400 Phase 2 CRV Boxer platform. The LAND200 Tranche 2 project is listed as a dependency from the perspective that the LAND400 Phase 2 interim BMS and TCN capabilities need to be interoperable with the final LAND200 BMS and TCN solution. LAND400 Phase 2 has not been notified of the date for the delivery of the final LAND200 BMS and TCN solution. LAND154 Phase 2 - Joint Counter Improvised Explosive Device Capability. Force Protection Electronic Counter Measures solution integrated into the CRV as Government Furnished Equipment.

Section 2 – Financial Performance¹

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Dec 14	Original Approved (Government First Pass Approval)	116.7	
Mar 18	Government Second Pass Approval	5,646.0	
	Total at Second Pass Approval	5,762.7	
Jan 25	Real Variation - Transfer	(4.5)	4
Jun 25	Exchange Variation	17.4	4
Jun 25	Total Budget	5,775.6	
Project Expenditure			
Prior to Jul 24	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(2,345.7)	2
	Contract Expenditure – NIOA Pty Ltd	(96.2)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	(32.1)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(14.7)	
	Contract Expenditure – RSA Rafael Systems of Australia Pty Ltd	(1.9)	
	Other Contract Payments/Internal Expenses	(299.3)	1
		(2,789.9)	
FY to Jun 25	Contract Expenditure – Rheinmetall Defence Australia Pty Ltd	(288.2)	6
	Contract Expenditure – NIOA Pty Ltd	(3.9)	
	Contract Expenditure – EOS Defence Systems Pty Limited	(0.5)	
	Contract Expenditure – RSA Rafael Systems of Australia Pty Ltd	(0.3)	
	Contract Expenditure – Universal Motion Simulator Pty Ltd	-	5
	Other Contract Payments/Internal Expenses	(58.6)	3
		(351.5)	
Jun 25	Total Expenditure	(3,141.4)	
Jun 25	Remaining Budget	2,634.2	
Notes			
1	Other Expenses (\$299.3m) are for Project Office Administration (\$98.5m), Command, Control, Communications, Computers and Intelligence (C4I) (\$94.8m), Risk Mitigation Activity Contracts with Rheinmetall Defence Australia Pty Ltd Landsystem GmbH and BAE Systems Australia Pty Ltd (\$50.0m), Extended Payment Terms Finance Charge (\$24.3m), Anti-Tank Guided Missile (\$6.8m), German Quality Assurance (\$4.5m), Test and Evaluation (\$4.2m), Support (\$4.0m), Support Contract (\$3.6m), APS (\$3.1m), Other (\$1.1m), Customs Duty (\$0.9m), Risk Mitigation Activity – Other (\$0.9m), and Remote Weapon Station – Block I (\$0.6m), Training (\$0.6m), Trailers (\$0.6m), Integrated Logistics Support (ILS) Equipment (\$0.2m) and Explosive Ordnance (\$0.1m).		
2	Milestone 070 was not achieved by 14 May 2023, and the CoA invoked a Stop Payment on 7 June 2023. The Stop Payment had no impact to expenditure for 30 June 2024 as it was lifted on 14 December 2023, only affecting payments to Rheinmetall Defence Australia Pty Ltd contract, over that period.		
3	Other Expenses (\$58.6m) are for C4I (\$20.4m), Project Office Administration (\$19.8m), ILS Equipment (\$8.5m), APS (\$3.9m), Trailers (\$1.8m), Anti-Tank Guided Missile (\$1.4m), Customs Duty (\$0.9m), Other (\$0.6m), Support (\$0.5m), Training (\$0.4m), Remote Weapon Station – Block II (\$0.3m).		
4	Real Variation – Transfer (\$4.5m) The funding transfer was required to enable Directorate of Land Training Capability to facilitate delivery of Land Simulation (LS) Core 2.0 between FY 2024-25 and FY 2025-26.		
5	No financial impact in FY 2024-25 however Universal Motion Simulator Pty Ltd will have future commitments.		
6	On 29 August 2024, a stop payment was enacted due to the delayed delivery of RECON 18 and was lifted in December 2024. A new stop payment was enacted in June 2025 for the late delivery of RECON 28 and is expected to be lifted in August 2025.		

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	In-year Budget \$m	Explanation of Material Movements
636.2	385.0	382.4	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimates Statements (PAES):</u> The variation from PBS to PAES is primarily due to the rescheduling of contract milestones and deliveries. <u>PAES to In-year Budget:</u> The variation from PAES to In-year budget is primarily due to the FY 2025-26 PBS budgeted exchange rate update and the budget transfer out of the FY 2024-25 budget to supplement the LS Core V.02 activities which resulted in the net variance of PAES and the In-year budget.

¹Notice to reader

As per the JCPAA 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.

Variance \$m	(251.3)	(2.6)	Total Variance (\$m): (253.8)
Variance %	(39.5)	(0.7)	Total Variance (%): (39.9)

2.2B In-year Budget/Expenditure Variance

In-year Budget \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		5.7	Australian Industry	The Year-to-Date under achievement is primarily due to a delay to explosive ordnance delivery and partially offset by the delay to the execution of the CCP for the RODC.
		(33.9)	Foreign Industry	
		-	Early Processes	
		(2.8)	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
382.4	351.5	(30.9)	Total Variance	
		(8.1)	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 25 \$m			
NIOA Pty Ltd	Jul 18	47.3	101.5	Firm or Fixed	Standard Defence Contract	4
Rheinmetall Defence Australia Pty Ltd	Aug 18	3,890.2	3,930.4	Firm or Fixed	Standard Defence Contract	1, 3
Universal Motion Simulator Pty Ltd	Dec 18	29.1	32.1	Firm or Fixed	Standard Defence Contract	-
EOS Defence Systems Pty Limited	Dec 19	50.2	62.6	Firm or Fixed	Standard Defence Contract	2, 3
RSA Rafael Systems of Australia Pty Ltd	May 23	45.7	48.7	Firm or Fixed	Standard Defence Contract	5
Notes						
1	Contract value as at signature is based on PBS FY 2018-19 budgeted exchange rates. The commitment value included price escalation estimates.					
2	Contract value as at signature is based on Mid-Year Economic and Fiscal Outlook FY 2019-20 budgeted exchange rates. The commitment value included price escalation estimates.					
3	The price at 30 June 2025 is \$40.2m higher than the price at Rheinmetall Defence Australia Pty Ltd contract signature due to contract changes, exchange rate variation and price escalation. The price at 30 June 2025 is \$12.4m higher than the price at EOS Defence Systems Pty Limited contract signature due to contract changes, exchange rate variation and price escalation.					
4	Contract value as at signature reflects initial order quantity only not current value including additional purchase orders.					
5	Contract value as at signature is based on PBS FY 2023-24 budgeted exchange rates.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 25		
NIOA Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Rheinmetall Defence Australia Pty Ltd	211	211	CRV, 12 Mission Modules, Support and Test Equipment and Training Equipment.	1
Universal Motion Simulator Pty Ltd	6 1	6 1	Reconfigurable Driver Simulator – Fixed Part Task Trainer – Reconfigurable Driver Simulator.	-
EOS Defence Systems Pty Limited	82	82	Remote Weapon Station.	-
RSA Rafael Systems of Australia Pty Ltd	Classified	Classified	Explosive Ordnance.	-
Major equipment accepted and quantities to 30 Jun 25				
As at 30 June 2025:				
25 x CRV Block I and 8 x CRV Block II have been accepted. - A classified quantity and variety of Explosive Ordnance has been accepted. 6 x Reconfigurable Driver Simulators and 1 x Trainer have been accepted.				
Notes				
1	In FY 2019-20, the quantity reported at contract signature was 223 – this figure included 211 CRV and the 12 additional Mission Modules. This figure has been updated to 211 to more correctly define the number of complete CRV.			

2.4 Australian Industry Capability

Summary
The project has no contracted Australian Industry Capability (AIC) Plan with NIOA Pty Ltd as the contract is managed by Land Explosive Ordnance. NIOA Pty Ltd has an AIC Plan that maximises Australian industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.
The project has a contracted AIC Plan based on opportunities to maximise internationally competitive Australian industry

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involvement which is captured in Rheinmetall Defence Australia Pty Ltd AIC Plans in the support of their design, manufacturing, integration, ILS and Project Management activities.
The project has a contracted AIC Plan with Universal Motion Simulator Pty Ltd. Universal Motion Simulator Pty Ltd has an AIC Plan that maximise Australian Industry involvement across Design Development, Production Activities, ILS, Contractor Data Requirement Lists and Project Management Office activities.
The project has a contracted AIC Plan with EOS Defence Systems Pty Limited. EOS Defence Systems Pty Limited has an AIC Plan that maximise Australian Industry involvement across the Design Development, Production, Contractor Data Requirement Lists and Project Management Office activities.
The project has no contracted AIC Plan with RSA Rafael Systems of Australia Pty Ltd as the contract is managed by Land Explosive Ordnance, RSA Rafael Systems of Australia Pty Ltd has an AIC Plan that maximises Australian Industry involvement across Design Development, Production Activities, ILS and Contractor Data Requirement Lists.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website.

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	Block I – Multi Purpose Vehicle	N/A	N/A	Nov 18	N/A	1, 2
	Block I – Reconnaissance	Nov 18	N/A	Nov 18	0	1
	Block II – Joint Fires and Surveillance	Jul 19	N/A	Jul 19	0	1
	Block II – Command and Control	Jun 19	N/A	Jul 19	1	1
	Block II – Reconnaissance	Jan 19	N/A	Feb 19	1	1
	Block II – Repair	Aug 19	Oct 19	Sep 19	1	1
	Block II – Recovery	Feb 19	N/A	Feb 19	0	1
Preliminary Design	Block I – Multi Purpose Vehicle	N/A	N/A	Jan 19	N/A	1, 2
	Block I – Reconnaissance	May 19	N/A	May 19	0	1
	Block II – Joint Fires and Surveillance	Dec 20	Jan 23	May 23	30	1, 3, 9
	Block II – Command and Control	Jul 20	Jan 23	May 23	34	1, 4, 9
	Block II – Reconnaissance	Jul 19	N/A	Sep 19	2	1, 3, 5
	Block II – Repair	Dec 21	Sep-25	Feb 26	50	1, 9, 10, 11
	Block II – Recovery	Feb 20	Sep 22	Aug 22	30	1, 6, 9
Critical Design	Block I – Multi Purpose Vehicle	Jan 19	N/A	Aug 19	7	1, 2, 7
	Block I – Reconnaissance	Oct 19	N/A	Nov 19	1	1
	Block II – Joint Fires and Surveillance	Nov 21	Feb 25	Dec 24	37	1, 3, 9, 10, 11
	Block II – Command and Control	Apr 21	Jan 25	Dec 24	44	1, 4, 9, 10, 11
	Block II – Reconnaissance	May 20	May 22	Aug 22	27	1, 8, 9
	Block II – Repair	Sep 22	NFP	NFP	NFP	1, 9, 10, 11
	Block II – Recovery	Mar 21	May 23	Dec 24	45	1, 9, 10
Notes						
1	The date represents the exit of the Design Review.					
2	The Multi-Purpose Vehicle was only required to conduct a DDR.					
3	Delay was due to the introduction of the Electronic Architecture and COVID-19 CCPs, uncertainty with the load list, and delays associated with the Command and Control variant.					
4	Delay was due to a combination of the introduction of the Electronic Architecture and COVID-19 CCPs, and uncertainty with the load list.					
5	Delay was due to a failure to satisfy all PDR requirements which resulted in Defence invoking a Stop Payment in July 2019 – this has now been lifted.					
6	Delay was due to a CoA request for a risk reduction activity (in the form of a capability demonstration) to be incorporated into the review.					
7	Delay was due to the late achievement of PDR and an underestimation of the time required to implement the design changes following the fitment exercise.					
8	Delay was due to a combination of the Stop Payment (in July 2019) – Note 5 refers; the introduction of the Electronic Architecture and COVID-19 CCPs; the entry criteria for this activity not being met; and failure to exit the design review on schedule.					
9	The additional variance is due to the execution of CCP026 which incorporated a series of capability improvements and addressed further COVID-19 delays.					
10	The variance for FY 2023-24 was due to supply chain issues and also the ability of the main contractor to adequately resource the program with appropriately skilled resources.					

11	The contract date changes are from the exit of the IBR, which was achieved by the approval of a CCP with Rheinmetall Defence Australia on 16 December 2024.
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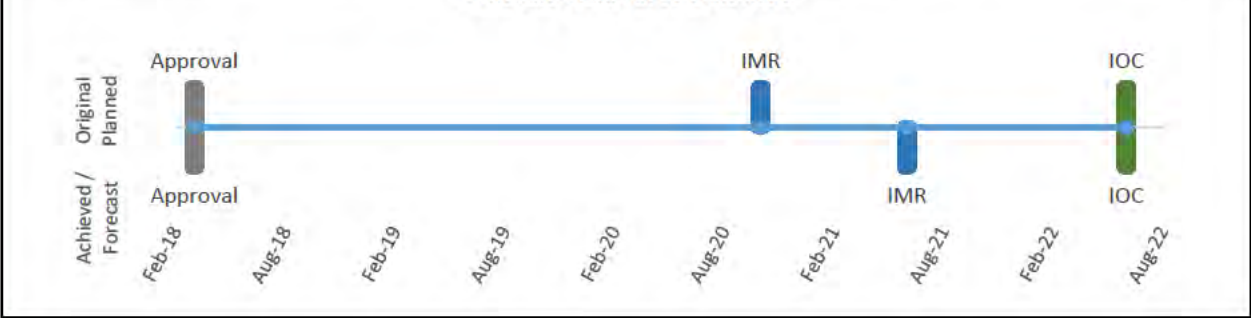
3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration and Acceptance	Block I – Multi Purpose Vehicle	Oct 20	N/A	Dec 20	2	1, 2
	Block I – Reconnaissance	Oct 20	N/A	Jun 21	8	1, 2
	Block II – Joint Fires and Surveillance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6, 7
	Block II – Command and Control	NFP	NFP	NFP	NFP	1, 3, 5, 6, 7
	Block II – Reconnaissance	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6, 7
	Block II – Repair	NFP	NFP	NFP	NFP	1, 3, 5, 6, 7
	Block II – Recovery	NFP	NFP	NFP	NFP	1, 3, 4, 5, 6, 7
Notes						
1	Dates specified are based on acceptance of the final delivery for each variant.					
2	Delivery was delayed due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.					
3	The variance is due to a combination of technical changes made to all variants and the impact of COVID-19 in both Europe and Australia.					
4	While the forecasts are earlier than currently contracted, the milestones have still slipped overall compared to the previously reported forecasts.					
5	The variance for FY 2023-24 relates to supply chain issues and the ability of Rheinmetall Defence Australia Pty Ltd to adequately resource the program with appropriately skilled resources.					
6	The forecast dates are from Rheinmetall Defence Australia Pty Ltd CMS V36.2 (June 2025), which is the basis of the approved baseline.					
7	The contract date changes are from the exit of the IBR, which was achieved by the approval of a CCP with Rheinmetall Defence Australia Pty Ltd on the 16 December 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 20	Jun 21	8	1, 2, 3
Initial Operational Capability (IOC)	Jun 22	Jun 22	0	1, 4
Final Materiel Release (FMR)	NFP	NFP	NFP	1, 6
Final Operational Capability (FOC)	NFP	NFP	NFP	1, 5, 6
Notes				
1	Refer to Section 4.2 for definitions of these milestones.			
2	The variance is due to a combination of production and manufacturing delays in Europe and the impact of COVID-19 in both Europe and Australia.			
3	IMR was met with the delivery of 21 vehicles to the 7th Brigade in June 2021. IMR was declared with three exceptions which are further explained in Section 5.3.			
4	IOC was declared on 29 June 2022, when the first operationally-deployable CRV element (the first Mounted Combat Squadron) including mission, support and training systems, and facilities, if required, was delivered to the first Combat Brigade and support organisations, and accepted into service. The Block I vehicles experienced some technical issues during Operational Test and Evaluation activities, however these were not impediments to an IOC declaration, these are explained further in Section 5.3.			
5	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to ensure FOC is achieved on schedule, however is considered at very high risk.			
6	The outcomes of the update to the MAA and the approval of CCP will have an impact on the forecasted dates for FMR and FOC. The revision and approved Version 3 of the MAA is not expected until later.			

Schedule Status at 30 June 2025



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 Materiel Capability Requirements as expressed in the MAA.
	Amber: N/A
	Red: N/A
Note	
This Traffic Light Diagram represents Defence's expected capability delivery.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	IMR occurred in June 2021 when 21 CRV mission systems were delivered to 7th Brigade, Brisbane and the initial contractor-provided logistics support arrangements were established. These included: user documentation, technical data, maintenance support, logistics instructions, engineering support, spares, and training systems.	Achieved with Exceptions
Initial Operational Capability (IOC)	IOC occurred on schedule in June 2022 when the first operationally deployable CRV element, including mission support, training systems and facilities, if required, were delivered to one Combat Brigade and support organisations, and accepted into operational service.	Achieved
Final Materiel Release (FMR)	FMR will occur with final delivery of the CRV capability. It includes: - Delivery of all vehicles, spares and attrition, and simulation training enablers for the CRV capability to all gaining units. - Logistics support arrangements, including: user documentation, technical data, maintenance support, logistics instruction, engineering support, spares, training systems and facilities. Forecast dates for FMR are NFP.	Not yet Achieved
Final Operational Capability (FOC)	FOC will occur when: - The full scope of LAND400 Phase 2, including mission, support and training systems, and facilities (if required), has been delivered to the three Combat Brigades and support organisations, and accepted into operational service. - Support arrangements are finalised in accordance with the ILS Plan. - The three Armoured Cavalry Regiments are declared operationally ready by the Capability Manager (including training fleets, and spares and attrition stock vehicles). Forecast dates for FOC are NFP.	Not yet Achieved

Section 5 – Major Risks, Emergent Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	Failure to achieve FOC on schedule. There is a risk that FOC will not be achieved on schedule due to the combined impacts of COVID-19, technical difficulties, global supply chain disruption, and problems faced by Rheinmetall Defence Australia Pty Ltd.	The CoA has worked intensively with Rheinmetall Defence Australia Pty Ltd to reduce delays. Despite this, the project assesses that achievement of FOC is currently a Very High risk and is being actively managed by CoA and Industry senior leadership.

2	Block II – The Repair variant fails to Enter PDR on Schedule. There is a risk that Repair Variant design maturity level will impact PDR entry milestone dates.	The CoA is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage any delays to PDR during fortnightly Program Management Review meetings. The CoA is supporting Rheinmetall Defence Australia Pty Ltd to provide review and acceptance of PDR activities.
3	The Reconnaissance variant fails to meet reliability requirements. There is a risk that the Boxer CRV may fail to meet the contracted minimum reliability requirements, leading to an impact on the schedule.	The CoA is working closely with Rheinmetall Defence Australia Pty Ltd to actively manage the Acceptance V&V activities designed to provide the required Reliability Availability Maintainability requirements.
4	The integration of APS causes schedule delay. There is a risk that Rheinmetall Defence Australia Pty Ltd is unable to integrate the Army-preferred APS onto the CRV as it is not sufficiently mature.	The CoA is working with Rheinmetall Defence Australia Pty Ltd to assess the cost, schedule, risk and capability impacts of integrating APS into all Block II Boxer CRV variants to inform considerations leading to a future solution.

5.2 Emergent Risks

Emergent Risks (risk not previously identified, or has increased in rating, which have emerged during 2024–25)		
Ref#	Description	Remedial Action
1	The Remote Weapon Station fails to meet full rate production on schedule.	The CoA continues to work with Electro Optic Systems to actively manage any delays to the full rate production of the Remote Weapon Station to align with the delivery of the Non Turreted CRV. This risk has been resolved and will be removed from next year's Major Projects Report (MPR).
2	CoA failure to provide Remote Weapon Station as Government Furnished Equipment to meet contract requirements.	The CoA continues to work with Rheinmetall Defence Australia Pty Ltd with the design and integration of the Remote Weapon System in preparedness for the delivery of the production units. This risk is classified as medium and will be removed from next year's MPR.
3	Availability of Suitable Documentation to Enable CRV Training.	The CoA continues to work with Rheinmetall Defence Australia Pty Ltd to ensure interim training packages are delivered in line with Army's schedule to conduct practical training and qualification.
4	CRV Support System Fit for Purpose.	The CoA continues to work with Rheinmetall Defence Australia Pty Ltd on a supply chain remediation plan.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	The Recovery Variant fails to Exit DDR on Schedule. There is an issue that Recovery Variant design maturity level will impact achievement of DDR Exit.	Rheinmetall Defence Australia Pty Ltd has achieved the exit criteria for the Recovery DDR. This is has now been resolved and will be removed from next year's MPR.
2	The integration of the Digital Terminal Control System into the Joint Fires variant. There is an issue that the Joint Fires & Surveillance variant is unable to effectively conduct Joint Fires missions using a mounted or hosted NextGen Digital Terminal Control System leading to an impact on performance.	Evidence in testing suggests that the risk assessment is reduced with minor cost implications and low schedule impacts. This issue has now been resolved and will be removed from next year's MPR.
3	The availability of permanent facilities for the CRV training equipment. There is an issue of additional costs to the project in order to relocate training systems from interim facilities at Brisbane and Adelaide that are to be used while the permanent facilities are built.	The Training Facilities at Puckapunyal are now complete. This issue has been resolved and will be removed from next year's MPR.
4	The V&V Program delays impact Reconnaissance Block II Training readiness Review. There is an issue that the Boxer CRV will fail to meet the contracted blast protection requirements, which may impact on cost, schedule, performance and safety.	Rheinmetall Defence Australia Pty Ltd completed Mobility V&V activities in support of the safety case report. The completion of this activity downgraded the issue to medium. The issue has now been resolved and will be removed from next year's MPR.
5	IMR Exceptions. IMR was declared with three exceptions relating to: - The completion of Functional Configuration Audit and Physical Configuration Audit. - The integration of electronic counter measures. - Transportability studies including air transportability and integration with other Army vehicles.	The Physical Configuration Audit was completed on the 7 December 2022 and the Functional Configuration Audit was completed on the 23 February 2024. The project has completed remediation work to address the integration of electronic counter measures. The Project retained the Air Transportability task indicated for closure. This issue has now been retired and will be removed from next year's MPR.

6	Block I Technical Issues. There is an issue that the Block I vehicles experienced some minor technical issues during introduction into use – issues like these are to be expected in a project of this size and complexity. Whilst the issues did result in increased risk being accepted by the Capability Manager, none were impediments to the declaration of IOC. The issues were associated with human factors, towing, and air transportability.	The project is working intensively with Rheinmetall Defence Australia Pty Ltd to address these and is expected to be resolved in 2023 within the timeframes required by Army. The issue for the Block I towing has been resolved with the approval of the acceptance test report and approval of the Engineering Change Proposal. The human factors issues have been addressed with the approval of the Engineering Change for the Turret Software Upgrade. For the air transportability issue there is agreed way forward to resolve the issue. This issue has now been retired and will be removed from next year's MPR.
7	Delivery of Block II Reconnaissance vehicles is delayed.	The CoA continues to work intensively with Rheinmetall Defence Australia Pty Ltd to mitigate the associated risk to continued delays to the schedule.
8	The concurrent V&V activities overlap for Recovery, Command and Control and Joint Fires / Surveillance variants. The current schedule highlights the risk of concurrent V&V activities across all non-turreted vehicles. This could see a delay in V&V activities due to lack of staffing resources, facilities and external providers all being available concurrently.	The CoA continues to work intensively with Rheinmetall Defence Australia Pty Ltd to provide an assured project baseline in order to mitigate potential risk to concurrent activities.

Section 6 – Lessons

6.1 Key Lessons

In line with Defence Instructions 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. The project has captured 49 lessons. The three project strategic lessons and the five project level lessons (non-strategic) are listed below.	
Description	Categories of Systemic Lessons
Strategic Lesson Type – Observation. Whole of capability focus – The project should establish and maintain a 'whole of capability' focus in delivering the Boxer CRV, including management of all fundamental inputs to capability and commonality and alignment across the support and training systems to retain its effectiveness in rapidly changing threat and technology environments.	Engineering & Technical
Strategic Lesson Type – Observation. Capability Manager and stakeholder engagement are an essential part of the tender governance – arrangements should be established for regular participation of the 3-star Capability Manager and Deputy Secretary CASG in senior governance arrangements. It is recommended that each major acquisition program invite participation from Contestability Division, Joint Force Design, Industry Division and Defence Science and Technology at all levels of the Tender Evaluation Organisation.	Program, Project & Product Management
Strategic Lesson Type – Observation. Industry engagement – Early engagement of 'Industry' (as one of the fundamental inputs to capability) is required to maximise Australian industry participation in delivering the capability. The requirements, guidance and parameters for industry involvement should be included in the tender documentation and facilitated industry engagement should be a standard part of any major acquisition project.	Engineering & Technical
Project Level Lessons (non-strategic) Description	Categories of Systemic Lessons
Project Level Lesson. The Integrated Project Management Team to provide direction for the Capability Manager and Delivery Group to move forward for project delivery.	Program, Project & Product Management
Project Level Lesson. Communication in the transition phase to Enterprise Resource Planning has enabled improved project outcomes.	Program, Project & Product Management
Project Level Lesson. A collaborative approach to risk based activities when accepting vehicles will ensure increased efficiencies and speed to capability.	Engineering & Technical
Project Level Lesson. Improved management of vehicles to support V&V activities and Introduction Into Service courses.	Engineering & Technical
Project Level Lesson. Routine collaboration between the CoA and Rheinmetall Defence Australia Pty Ltd engineering and project management teams.	Engineering & Technical

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2025

Unit	Name
Division	Land Systems Division
Branch	Armoured Fighting Vehicles Branch

Project Data Summary Sheet¹

Project Number	SEA1000 Phase 1B
Project Name	FUTURE SUBMARINES DESIGN ACQUISITION
First Year Reported in the MPR	2019 - 20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	N/A
Key Government pre-Second Pass Approval	Feb 19
Budget at Key Government pre-Second Pass Approval	\$5,952.5m
Total Approved Budget (Current)	\$4,816.2m
2021-22 Budget	\$961.7m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

SEA1000 Phase 1B was to deliver a fleet of 12 regionally superior conventionally powered submarines to be known as the Attack Class. The Attack Class fleet was to be built in Australia by an Australian workforce, at a purpose built Submarine Construction Yard, owned by the Commonwealth through Australian Naval Infrastructure and operated by Naval Group. The Future Submarine Program was to provide Australia with an enduring sovereign submarine capability, with the ability to build, operate, and sustain submarines in Australia into the future. The Government announced on 16 September 2021 that it would not continue with the Attack Class Submarine Program due to changes in Australia's strategic circumstances. As a result, contracts with Naval Group and Lockheed Martin Australia have been terminated for convenience. The Project has completed transition out activities, with limited exceptions, with Lockheed Martin Australia and Naval Group in accordance with relevant contractual obligations and the terms of a settlement agreement with Naval Group.

1.2 Current Status

Cost PerformanceIn-year

The in-year variation of \$182.2m is predominately attributed to the cancellation of the Attack Class submarine program and the resulting settlement payment to Naval Group.

Project Financial Assurance Statement

Project SEA1000 Phase 1B has transitioned to termination, transition out and project closure activities, following the Government announcement to cancel the Attack Class Submarine Program on 16 September 2021.

Following the cancellation of the Attack Class Submarine Program, and having reviewed Defence's current financial contractual obligations for this 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 the revised objectives.

Contingency Statement

The project has not applied contingency in the financial year.

Schedule Performance

The Future Submarine Program (FSP) was working towards delivery of the first Attack Class submarine in the early 2030s, subject to future Government approvals beyond the authorised design work associated with Phase 1B of the Program.

In September 2017, the Commonwealth, Naval Group, and Lockheed Martin Australia completed a pre-sizing activity to determine the initial sizing envelope of the Attack class submarine. The pre-sizing activity was followed by a successful Preliminary System Requirements Review, which was completed in October 2017 on schedule and marked the end of Functional Analysis and the first phase of design.

The successful completion of Functional Analysis allowed entry to the phase of design known as Feasibility Studies. System Requirements Review (Feasibility Studies) was completed on schedule on 20 March 2018.

The Concept design process for the Attack Class submarine involved refinement of the design and associated artefacts to maintain alignment with requirements, as requirements transition in parallel from preliminary to final status. It was vital to ensure that the concept design was concluded on a sound basis before the Project committed more resources to the next level of design, avoiding any costly and lengthy re-work in the future that are likely to arise if the concept design is not robust.

The Concept Studies Review was not completed as originally planned in September 2018 due to the need to further develop the transverse balances and the Definition Plan for the subsequent design phase. The rescheduled Concept

¹ Notice to reader

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.

Studies Review was conducted in November 2018, corrective actions were completed by January 2019 and the Concept Studies Review action was satisfactorily completed in February 2019. Compared to pre-contract estimates for the progression of design, an extended schedule for the design work was implemented at the commencement of the Submarine Design Contract (SDC) – the first program contract that was executed under the Strategic Partnering Agreement. This schedule addressed the need for high-levels of design maturity required by Defence as the design phase of the Program progressed. The extended period planned for the design work did not impact the scheduled delivery date of the first or follow on submarines. Under the Submarine Design Contract with Naval Group, the Functional Ship Systems Requirements Review was scheduled for 31 October 2019 and experienced a delay of five weeks to conduct the review. Actions from this review were completed across the first half of 2020 and the Functional Ship System Requirements Review was formally closed in August 2020. The delay was assessed as recoverable by the next major milestone review, Functional Ship - System Functional Review (FS-SFR) however some delay in readiness for the FS-SFR was realised. The Commonwealth elected to enter the FS-SFR as planned in January 2021 on the basis that a credible action plan was in place to confirm the design baseline for the Definition design phase. The program formally exited the FS-SFR in September 2021. Under the Design Build and Integration Contract with Lockheed Martin Australia, the Combat System Preliminary Design Review was held successfully in September 2021 and a letter advising the Contractor of formal Exit was signed in January 2022. The contracts with Naval Group and Lockheed Martin Australia were terminated for convenience on 16 September 2021, before subsequent design phases for the Functional Ship and Combat System were commenced. The Project has completed transition out activities, with limited exceptions, with Lockheed Martin Australia and Naval Group in accordance with contractual obligations and the terms of a settlement agreement with Naval Group.
Materiel Capability/Scope Delivery Performance SEA1000 Phase 1B does not have any materiel capability delivery approved. The project was approved for: - design including functional analysis, feasibility studies, design definition studies and basic design to enable design and construction of 12 regionally superior Future Submarines; and - design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. Prior to the cancellation of the project, elements of the Attack Class Submarine Program were contributing either directly to or reducing the risk of the Collins Class Life-of-Type Extension (LOTE) project. The Minister for Finance approved the transfer of approved but unspent Future Submarine Program budget to the Collins LOTE project and other broader shipbuilding enterprise activities in February 2022.
Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background The SEA1000 Phase 1B Program was a large and complex program tied into the National Naval Shipbuilding Plan. The Program was in the design stage, and had multiple Government decision-making points. Initial options for the Future Submarine included a Military Off The Shelf (MOTS) or modified MOTS design, evolved Collins design and a new design. MOTS and modified MOTS options were removed from consideration following Government consideration in April 2013, based on an inability of available designs to meet Australia's essential capability requirements. Following extensive investigation into an evolved Collins design, Government agreed in September 2014 to cease work on progressing this option based on the effort required being equivalent to a new design. On 26 April 2016, Government announced that Naval Group of France had been selected as the international partner to work with Australia on the design and delivery of the Future Submarines. The Design and Mobilisation Contract was signed with Naval Group on 30 September 2016 formally commencing design of the Future Submarine. The Strategic Partnering Agreement (SPA) was signed on 11 February 2019, an overarching agreement between the Commonwealth and Naval Group under which successive Program Contracts would have been executed to deliver the Future Submarine Program. On 1 March 2019, the first contract under the SPA, the Submarine Design Contract was signed superseding the Design and Mobilisation Contract. Following a Restricted Tender Process, Lockheed Martin Australia (LMA) was selected as the Future Submarine Combat System Integrator on 30 September 2016. An initial Design Services Contract was signed with Lockheed Martin on 17 November 2016. This contract was superseded by the Design Build and Integration Contract on 12 January 2018, which represented the long-term Combat System Integration contract and included the execution of the initial work scope. As announced by Government in April 2016, the Future Submarines was to be constructed at a purpose built Submarine Construction Yard (SCY) at the Osborne Precinct in Adelaide. The SCY required new infrastructure and upgrades to existing infrastructure to support the work of Naval Group and LMA. Naval Group was to establish SCY Infrastructure Functional Requirements (IFR) and undertake design assurance activities to ensure the SCY was capable of building, integrating, testing and accepting into service the planned Future Submarine fleet. The first Attack Class Submarine was scheduled to enter service from the early 2030s and was to be delivered to the Royal Australian Navy to commence initial Operational Test and Evaluation. The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As this was after the Competitive Evaluation Process, it was not feasible to commence a Smart Buyer process for SEA1000 Phase 1B. The Australian Government cancelled the Attack Class Submarine Program on 16 September 2021. Future Submarine Program effort has been required since this date to review claims by the prime contractors for work which had been in progress up until termination, conduct negotiations and planning associated with the termination and transition out of contracts, including workforce demobilisation and commencing project closure activities.
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Uniqueness SEA1000 Phase 1B was to deliver 12 Attack Class submarines to the Royal Australian Navy and was to have been the largest and most complex ship building endeavour undertaken in Australia. As such, the project had unique tripartite governance arrangements to address the highly sensitive nature of the information and technologies procured from the United States of America, France and Australia, in the design of a regionally superior submarine. Another unique element of the Program was its engagement with key suppliers in the design phase. This was required to design a submarine capable of regionally superior performance, simultaneously maximising Australian Industry involvement, and qualifying equipment to function effectively and safely in the undersea environment. This practice was applied to ensure Australia would be able to exercise sovereign control over operations and sustainment of the Future Submarine.
Major Risks and Issues Up until the termination decision, the project was managing risk at both a Tactical and Strategic level; generally reflected at the Contract and Program levels respectively. Strategic risks identified within Section 5 broadly fall under a number of key areas being: • Contractor performance risk; • Resources, Skills and Workforce Management risk; • Risk to the adaption and enhancement of methods, processes, systems and standards; • Australian Industry Capability risk; and • Risk to capability delivery to Navy, cost and schedule. The Australian Government cancelled the Attack Class submarine program on 16 September 2021, resulting in retirement of the above risks. Issues caused by the cancellation were managed through transition out. The program had also been managing an issue relating to the Commonwealth and Naval Group being unable to agree by 31 January 2021 on the Core Work Scope 2 (CWS2) and Additional Work Scope 1 (AWS1) offers. This issue was closed after the cancellation of the Attack Class submarine program.
Other Current Related Projects/Phases N/A
Note Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance

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

Date	Description	\$m		Notes
Project Budget (Out-turned) and Expenditure History (Y)				
Project Budget				
Sept 16	Original Approved (Government Interim Approval)		989.4	1
Oct 17	Real Variation – Transfer	(4.3)		2
Nov 17	Government Interim Approval	1,279.3		3
Sept 18	Real Variation - Transfer	(19.7)		4
Nov 18	Real Variation - Transfer	(7.3)		5
Feb 19	Real Variation - Transfer	(20.0)		5
	Real Variation - Transfer	(7.3)		2
	Government Interim Approval	3,742.4		6
	Total at Key Government pre-Second Pass Approval		5,952.5	
Jun 20	Real Variation - Transfer	(2.4)		2
Sept 20	Real Variation - Transfer	(7.9)		5
Dec 20	Real Variation – Budgetary Adjustment	0.1		7
Jan 21	Real Variation – Transfer	(6.4)		2
Nov 21	Real Variation – Real Cost Decrease	(300.0)		11
	Real Variation – Real Cost Decrease	(641.0)		12
June 22	Real Variation – Real Cost Decrease	(79.5)		13
June 22	Exchange Variation	(99.3)		
	Total Budget		4,816.2	
Project Expenditure				
Prior to Jul 21	Naval Group – Submarine Design Contract	(808.5)		8
	Naval Group – Design and Mobilisation Contract	(369.3)		8
	Lockheed Martin Australia – Combat System Design Build and Integration Contract	(339.5)		8
	ASC Pty Ltd – Seconded Workforce	(45.4)		8
	US Government – Submarine Combat Control System MOU	(11.6)		8
	Other Contract Payments / Internal Expenses	(378.7)		9
			(1,953.0)	
FY to Jun 22	Naval Group – Deed of Settlement	(827.2)		8
	Naval Group – Submarine Design Contract	(208.3)		8
	Lockheed Martin Australia – Combat System Design Build and Integration Contract	(69.5)		8
	US Government – Submarine Combat Control System MOU	(4.6)		8
	ASC Pty Ltd – Seconded Workforce	(4.5)		8
	Other Contract Payments / Internal Expenses	(29.9)		10
			(1,143.9)	
Jun 22	Total Expenditure		(3,096.9)	
Jun 22	Remaining Budget		1,719.3	
Notes				
1	Government approval for the design and mobilisation phase for Naval Group and Lockheed Martin Australia, and work to be undertaken by Defence including establishment of the overseas government presence, mobilisation of the program office and initial development of facilities needed for the Program.			
2	Transfer to the CIOG component of SEA1000 Phase 1B for the Defence Secret Environment - International. The total value of the planned transfers relating to Note 2 is \$20.4m.			
3	Government approval for design of the combat system by Lockheed Martin Australia, activity to develop the concept design for the Future Submarine Construction Yard and Infrastructure business case, and program office costs.			
4	Transfer to the CIOG component of SEA1000 Phase 1B for Information Communication Technology Infrastructure Project requirements and Defence Secret Environment - International.			
5	Public Debt Interest on the equity provided to Australian Naval Infrastructure for the Submarine Construction Yard. The total value of the planned transfers relating to Note 5 is \$35.2m.			
6	Government approval for further design work by Naval Group and program office costs, and Portfolio Additional Estimates Statements 2018-19 budget measures.			
7	Budgetary adjustment due to out-turning.			
8	The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.			
9	Other expenditure for the period to 30 June 2021 comprises payments for Contractor/Consultant Support (\$167.3m), Collins Class Life of Type Extension Activities (\$32.2m), Lockheed Martin Australia Combat System Integrator Initial Services Contract (\$29.5m), Facilities and Security arrangements in Cherbourg (\$22.1m), US Government (\$19.9m), Legal Services (\$18.4m), Naval Group Design Services Contract (\$10.2m), Office Fitout (\$1.6m) and other expenditure			

	not attributable to the listed contracts (\$77.5m).
10	Other expenditure for the period 1 July 2021 to 30 June 2022 comprises payments for Contractor/Consultant Support (\$17.3m), Legal Services (\$3.2m), Payments to DGA (\$2.5m), US Government (\$2.2m), Facilities and Security arrangements in Cherbourg (\$1.6m), Combat System Novated Contracts (\$1.2m) and other expenditure not attributable to the listed contracts (\$1.9m).
11	Government decision to transfer funding to the Nuclear-Powered Submarine Taskforce.
12	Government decision to transfer funding for the Sovereign Shipbuilding Talent Pool.
13	Government decision (2 Minister Approval) to transfer to Collins Sustainment and Acquisition.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
981.8	980.6	961.7	PBS to PAES: The variation includes transfer of funds to Nuclear-Powered Submarine Taskforce and for costs arising from the Sovereign Shipbuilding Talent Pool, as well as expected costs associated with transitioning out of contractual arrangements. PAES to Estimate Final Plan: The variation relates to an update of budget exchange rates from 2021-22 MYEFO to 2022-23 PBS. Additionally the transfer of funds to Collins LOTE and sustainment.
Variance \$m	(1.2)	(18.9)	Total Variance (\$m): (20.1)
Variance %	(0.1)	(1.9)	Total Variance (%): (2.0)

2.2 B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		83.2	Australian Industry	The variation is predominately attributed to the cancellation of the Attack Class submarine program and the resulting settlement payment to Naval Group.
		96.0	Foreign Industry	
		0.0	Early Processes	
		3.6	Defence Processes	
		(0.6)	Foreign Government Negotiations/Payments	
		0.0	Cost Saving	
		0.0	Effort in Support of Operations	
		0.0	Additional Government Approvals	
961.7	1143.9	182.2	Total Variance	
		18.9	% Variance	

2.3 Details of Project Major Contracts

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 22 \$m			
Naval Group – Design & Mobilisation Contract	07 Oct 16	60.9	369.3	Cost Ceiling (capped)	Standard Defence Contract	1
ASC Pty Ltd – Seconded Workforce	08 Mar 17	22.1	54.3	Cost Ceiling (capped)	Standing Offer	2,5
Lockheed Martin Australia – Combat System Design Build and Integration Contract	12 Jan 18	607.2	827.7	Cost Ceiling (capped)	Standard Defence Contract	3,5
Naval Group – Submarine Design Contract	01 Mar 19	589.7	1,043.1	Cost Ceiling (capped)	Standard Defence Contract	4,5
US Government	05 Jul 19	224.8	90.5	Reimbursement	MOU	5,7
Naval Group – Deed of Settlement	07 Jun 22	825.8	827.2	Fixed	Deed of Settlement and Release	6
Notes						
1	Increase in contract value reflects inclusion of staged concept-design work scopes, offset by reduction in contract value is associated with the termination of the contract in September 2021. The value of this contract is based on actual expenditure and there is no commitment remaining against this contract.					
2	Increase in contract value reflects requirement for technical and engineering expertise, offset by reduction in contract value is associated with the contract termination for convenience with Naval Group and Lockheed Martin Australia.					
3	Increase in contract value reflects the inclusion of costs for subsystems withheld at signature due to pricing uncertainty. The value of this contract is planned to reduce after 30 June 2022, associated with the termination for convenience.					
4	Increase in contract value reflects the inclusion of staged work scopes plus procurement of equipment, offset by reduction in contract value is associated with the termination of the contract in September 2021.					
5	Contract value as at 30 June 2022 is based on actual expenditure to 30 June 2022 and remaining commitment at current exchange rates. This includes adjustments for indexation (where applicable).					
6	Deed of Settlement value as at 30 June 2022 is based on actual expenditure.					
7	The value of this contract has decreased, associated with the termination for convenience and it is planned that the contract will further decrease after 30 June 2022.					
Contractor	Contracted Quantities as at		Scope	Notes		
	Signature	30 Jun 22				
Naval Group – Design & Mobilisation Contract	Nil	Nil	Progress the concept design for the future submarine in parallel to negotiation of the Strategic Partnering Agreement. Contract has been terminated for convenience.			
ASC Pty Ltd	Nil	Nil	Specialist engineering and technical services. This contract has expired as at 30 June 2022.			
Lockheed Martin Australia – Combat System Design Build and Integration Contract	Nil	Nil	Design and risk reduction work, selection of all sub-system suppliers, and delivery of a detailed design for the Combat System. Contract has been terminated for convenience.			
Naval Group – Submarine Design Contract	Nil	Nil	Progress submarine concept design through definition phase to basic design. Contract has been terminated for convenience.			
US Government	Nil	Nil	Cooperative development, production, and support of the submarine combat control system.			
Naval Group – Deed of Settlement	Nil	Nil	The Deed of Settlement is an agreement between the Commonwealth and Naval Group that discharges and releases both the Commonwealth and Naval Group from any obligations and claims in relation to the termination for convenience.			
Major equipment accepted and quantities to 30 Jun 22						
N/A						

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	Preliminary System Requirements Review (PSRR)	Oct 17	N/A	Oct 17	0	
	System Requirements Review (Feasibility Studies)	Mar 18	N/A	Mar 18	0	
	Combat System System Requirements Review	Nov 18	N/A	Sep 18	(2)	
	Concept Studies Review (CSR)	Sep 18	N/A	Feb 19	5	1
	Functional Ship Systems Requirements Review -	Oct 19	N/A	Aug 20	10	2

	Definition Phase					
	Functional Ship Systems Functional Review	Jan 21	N/A	Sept 21	8	3,4
Preliminary Design	Combat System Preliminary Design Review	Dec 19	Oct 21	Jan 22	25	5,6
Critical Design	Combat System Critical Design Review	Mar 22	N/A	N/A	N/A	5,6
Notes						
1	Additional work was required to further develop the transverse balances and the Definition Plan for the subsequent design phase before entering the Concept Studies Review that was held in November 2018. The Commonwealth also required that a Tripartite Planning Conference be convened to successfully exit the Concept Studies Review and support orderly commencement of the Definition design work. The Conference was held in January 2019. The Commonwealth was satisfied with this outcome and the Concept Studies Review was effectively considered complete. Minor administrative actions followed and a letter advising the Contractor of formal exit was signed in February 2019.					
2	The Functional Ship Systems Requirements Review was held in December 2019. A series of actions were identified during the review to finalise the initial Functional Baseline, as well as traceability between the Technical Requirements Specifications and the Functional Performance Specification. These actions were progressively closed and formal exit from the review was confirmed in August 2020 on the basis that all actions were completed or agreed plans were in place to address the remaining outstanding actions.					
3	The Functional Ship – System Functional Review (FS-SFR) was held in January 2021. A series of actions across 3 key areas were agreed in signed meeting minutes. A resourced FS-SFR Exit plan was prepared by the Contractor and a letter advising the Contractor of formal Exit was signed in September 2021.					
4	Compared to pre-contract estimates for the progression of design, an extended schedule for the design work was implemented under the Submarine Design Contract – the first program contract that was executed under the Strategic Partnering Agreement. This schedule addressed the need for high-levels of design maturity required by Defence as the design phase of the Program progresses.					
5	Adoption by Naval Group of the standard IEEE 15288.2 Technical Reviews and Audits on Defence Programs during 2018/2019 had improved alignment in design maturity points between Naval Group and Lockheed Martin Australia. Adoption of this standard resulted in amendments to nomenclature, content and timing for some design reviews. Notably, the Functional Ship Systems Functional Review was introduced and both the Preliminary and Critical Design Reviews were re-defined in terms of content and timing.					
6	The Combat Systems Design, Build and Integration Contract with Lockheed Martin Australia was terminated for convenience by letter on 16 September 2021. The letter advised that all Approved Work Scope Statements will also terminate at that date. Accordingly the Current Contract Date, Forecast Date and Variance have been removed for the Combat Systems Critical Design Review milestone. This milestone was previously reported with a Contract Date and Forecast Date of June 2023, showing a Variance from the Original Contract Date of 15 Months. The Current Contract and Forecast Dates of June 2023 remained unchanged immediately prior to Program cessation. The Combat Systems Preliminary Design Review had been successfully conducted earlier in September 2021 and a letter advising the Contractor of formal Exit was signed in January 2022, for the purposes of orderly closure.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	N/A	N/A	N/A	N/A	N/A	1
Acceptance	N/A	N/A	N/A	N/A	N/A	1
Notes						
1	SEA1000 Phase 1B had approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones were expected to be defined by Government in subsequent approvals. The Australian Government cancelled the Attack Class submarine program on 16 September 2021, with no further T&E development required.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

3.3 Progress Toward Materiel Release and Operational Capability Milestones				
Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	N/A	N/A	N/A	1
Initial Operational Capability (IOC)	N/A	N/A	N/A	1
Final Materiel Release (FMR)	N/A	N/A	N/A	1
Final Operational Capability (FOC)	N/A	N/A	N/A	1
Notes				
1	SEA1000 Phase 1B had approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones were expected to be defined by Government in subsequent approvals. The Australian Government cancelled the Attack Class submarine program on 16 September 2021.			
Schedule Status at 30 June 2022				
Not Applicable				

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	
Not Applicable	Green: The contracts with Naval Group and Lockheed Martin Australia were terminated for convenience on 16 September 2021, before subsequent design phases for the Functional Ship and Combat System were commenced. The Project has completed transition out activities, with limited exceptions, with Lockheed Martin Australia and Naval Group in accordance with relevant contractual obligations, and the terms of a settlement agreement reached with Naval Group.
	Amber: N/A
	Red: The Australian Government cancelled the Attack Class Submarine Program on 16 September 2021. SEA1000 Phase 1B was approved for: - design including functional analysis, feasibility studies, design definition studies and basic design to enable design and construction of 12 regionally superior Future Submarines; and - design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. Capability requirements were continuing to be refined and assessed against the approved scope, cost and schedule. SEA1000 Phase 1B was expected to return to Government in FY 21/22 to seek progressive approval of scope and funding as the Program moves through the design and build phase. The first Attack Class Submarine (HMAS Attack) was scheduled to enter service from the early 2030s.
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)	Note 1	N/A
Initial Operational Capability (IOC)	Note 1	N/A
Final Materiel Release (FMR)	Note 1	N/A
Final Operational Capability (FOC)	Note 1	N/A
Note		
SEA1000 Phase 1B had approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones were expected to be defined by Government in subsequent approvals. The Australian Government cancelled the Attack Class Submarine Program on 16 September 2021, with no capability to be delivered.		

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
There is a risk that our Program Partners will not adequately address issues and challenges (including technical risks) that arise during the course of the Program.	This risk has been retired as a result of the cancellation of the Program on 16 September 2021.
There is a risk that Program Participants are unable to staff the Program with the right number of suitably qualified and experienced personnel, build skills to prepare for construction and execute the Program effectively and with increasing productivity over time.	This risk has been retired as a result of the cancellation of the Program on 16 September 2021.
There is a risk to the implementation of best-practice industry methods, processes systems and standards (including those related to program planning and control) to promote effectiveness and efficiencies.	This risk has been retired as a result of the cancellation of the Program on 16 September 2021.
There is a risk that our Program Partners fail to maximise Australian Industry involvement through all	This risk has been retired as a result of the cancellation of the Program on 16 September 2021.

phases of the Program without unduly compromising capability, cost or schedule.	
There is a risk to the FSP Strategic Objectives for the achievement of a regionally superior Attack Class submarine capability that provides the Commonwealth with enduring sovereign control over the operation and sustainment of Australia's Future Submarine capability; on cost and on schedule.	This risk has been retired as a result of the cancellation of the Program on 16 September 2021
Emergent Risks (risk not previously identified but has emerged during 2021–22)	
Description	Remedial Action
	N/A

5.2 Major Project Issues

Description	Remedial Action
There is an issue that the Commonwealth and Naval Group were unable to agree the fundamental Assumptions/requirements and/or the Not to Exceed (NTE) Price for the Core Work Scope 2 (CWS2) and Additional Work Scope 1 (AWS1) offers by 31 January 2021.	This issue was closed after the Australian Government cancelled the Attack Class submarine program on 16 September 2021.
The Australian Government cancelled the Attack Class submarine program on 16 September 2021., with no capability to be delivered.	The Project has completed transition out activities, with limited exceptions, with Lockheed Martin Australia and Naval Group in accordance with relevant contractual obligations and the terms of a settlement agreement reached with Naval Group.

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
Careful selection of Acquisition Contractors with relevant experience and knowledge, underpinned by strong commercial arrangements, is essential to protect the Commonwealth's interests	Contract Management
The Program must be an informed customer, closely monitoring Contractor progress with strong and pro-active management.	Contract Management
Research into program failures and lessons learned from submarine design by allied nations ensured SEA1000 Phase 1B was aware of the necessity of having a set of good requirements to achieve success in design and development.	Requirements Management
Following the decision to cancel the program, SEA1000 found it necessary to promptly engage staff as part of a broad lessons observed process, before they commenced departing the program	Governance

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2022

Unit	Name
Division	Submarines
Branch	Future Submarine Project

Project Data Summary Sheet¹

Project Number	SEA5000 Phase 1
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18
Budget at 2nd Pass Approval	\$6,184.0m
Total Approved Budget (Current)	\$6,055.7m
2021-22 Budget	\$531.1m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 Phase 1 – Hunter Class Frigate (HCF) Design and Construction (the Project) will deliver nine HCFs optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Surface Combatant capability and replace the current *Anzac* Class Frigates.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. The HCF will contribute to air and surface warfare defence, as well as serving its primary mission of anti-submarine warfare.

The Project is currently approved for the Design and Productionisation (D&P) stage, which includes:

- progressing detailed design;
- commencement of prototyping works; and
- procurement of some Long Lead Time Items (LLTI) for Batch 1 Build.

The Head Contract is with ASC Shipbuilding Pty Ltd (trading as BAE Systems Maritime Australia (BAESMA)), a subsidiary of BAE Systems Australia.

The HCF will be constructed in Osborne, South Australia.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2022, financial year 2021-22 expenditure is \$608.5m against the forecast budget of \$531.1m. The variation is mainly driven by:

- earlier than planned payment of a portion of the UK licence fee for the reference ship design;
- higher than forecast Foreign Military Sales (FMS) disbursements for the combat management system;
- higher pass-through shipyard costs under the Head Contract; and
- services relating to CASG's Maritime Information Environment (MIE).

Project Financial Assurance Statement

As at 30 June 2022, project SEA5000 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers that as at the reporting date there is sufficient budget including contingency remaining for the Project to complete against the agreed scope.

Contingency Statement

The Project has not applied contingency in the financial year.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for Batch 1 Build. This has enabled the design of the Mission and Support Systems to proceed, together with mobilisation of BAESMA to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

In the current year (2021-22), the completion date for the System Definition Review has driven delays to subsequent design reviews. The Project has also experienced schedule variance due to delays in the design maturity of the UK's Type 26 Program, which is the Reference Ship Design for the HCF. These delays in the UK were exacerbated by the COVID-19 pandemic.

In June 2021, the Government agreed to the deferral of the Ship 1 Cut Steel milestone by up to 18 months, to no later than

¹ Notice to reader

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.

June 2024. This will enable the Commonwealth and BAESMA to address design maturity and develop a contractible offer for the Batch 1 Build Scope. This in turn will enable the commencement of the construction of Ship 1 no later than June 2024. The extended prototyping period now includes the construction of four HCF blocks, in addition to the five Type 26 blocks that were approved by Government in 2018. The Project intends to use the four additional prototyping blocks in the construction of the Batch 1 ships. The Project is expected to return to Government for consideration of the Batch 1 Build stage Second Pass funding and approval in early 2024. While there are significant risks and challenges, as would be expected for a project of this complexity, the Project is on track to commence Ship 1 construction in June 2024. The Commonwealth continues to work with BAESMA on mitigating risks, managing issues and any associated impacts to the Project.
Materiel Capability/Scope Delivery Performance The current scope of the Head Contract addresses the D&P stage, inclusive of prototyping and procurement of LLTI for the Batch 1 Build stage. Under the existing Head Contract D&P scope and budget, BAESMA will also fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the Ship 1 mast.
Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3 Project Context

Background The Project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan. The Project is in the D&P stage, and will progress through multiple Government decision-making points for subsequent project stages. In June 2014, an Initial Pass was approved by Government to commence capability development activities, which included conducting studies through to Interim Pass, regarding the feasibility of utilising the <i>Hobart</i> Class Guided Missile Destroyer (DDG) platform as the basis for the SEA5000 Phase 1 capability. The Project was directed to return to Government in March 2015 when further decisions on SEA5000 Phase 1 would be taken in the context of the planned 2015 Defence White Paper (DWP) and subject to successful implementation of the Air Warfare Destroyer (AWD) Reform Program. In August 2015, the Government announced bringing forward the Future Frigate program to replace the <i>Anzac</i> Class (FFH) frigates as part of a continuous onshore build programme to commence in 2020. The <i>Hunter</i> Class frigates will be built in South Australia at the Osborne South Naval Shipyard. In September 2015, an Interim Pass was approved by Government for CEA Radar Development activities to complete the development of radar technology demonstrators, and remaining supporting activities through to 2018. In November 2015, an Interim Pass was approved by Government for SEA5000 Phase 1 to progress a Competitive Evaluation Process (CEP) and other activities through to First Pass consideration scheduled for the second quarter of 2016. Government approval was given for the High Level Capability Requirements (HLCRs) for the Future Frigate and the criteria by which frigate designs would be shortlisted for further development through the CEP. In April 2016, Government provided First Pass approval for SEA5000 Phase 1 to complete the CEP (based on tenders received from the three ship designers that had been shortlisted), conduct combat system related activities that support integration of the CEA Technologies suite of radars, and develop capability proposals to support Gate 2 consideration in 2018. In October 2017, the Government announced the decision to select the Aegis Combat Management System together with an Australian Interface developed by Saab Australia as the Combat Management System solution for the Future Frigate. This further interim pass included approval for SEA5000 Phase 1 to provide funds to progress combat system work ahead of Gate 2 in addition to providing for workforce and schedule protection up to April 2018. In June 2018, the Government announced BAE's Global Combat Ship - Australia (GCS-A) as the capability best suited to Defence needs. A Smart Buyer assessment was not conducted for this project as a similar risk review process had already been conducted as part of the CEP. The platform system is based on the existing Type 26 Global Combat Ship (GCS) design, with design changes to incorporate the HLCRs as prescribed by Government. The nine frigates were classed as the <i>Hunter</i> Class FFG. In February 2022, the Project sought Interim Pass approval from Government to contract BAESMA to construct four additional prototyping blocks in addition to the five it is contracted to build under the current D&P scope. The aim is to (a) provide the minimum necessary additional production scope to ensure no redundancies are required in the core production workforce and maintain reasonable continuity of production skill sets; and (b) reduce cost, risk, and uncertainty while improving design maturity and schedule durations to ensure the Commonwealth and BAESMA can execute an arrangement for the Batch 1 Build scope which is affordable and acceptable to the Commonwealth.
Uniqueness The Project, delivering nine anti-submarine warfare frigates to the RAN, is one of the largest naval ship building projects ever undertaken in Australia. SEA5000 Phase 1 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each stage requiring separate approvals by Government to ensure the Project remains within cost constraints. While the principles of the One Defence Capability System will be applied to the Project, due to the longevity, and staged nature of the Project, a unique approach will be required to manage the nine ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for each of the three batches of ships and their support system.
Major Risks and Issues The Project is currently managing risks and issues at both a strategic and tactical level. Strategic risks and issues identified within Section 5 broadly fall under a number of key areas being: • Ship design maturity; • System Integration; • Operating Capability delivered to Navy; • Industry and Navy workforce; • Australian Industry Capability; and

Overall budget affordability.
Other Current Related Projects/Phases - SEA1397 Phase 5B – NULKA Upgrade. This is an upgrade to the launch sub-system associated with the active missile decoy system (Nulka) which is designed to seduce anti-ship missiles from their target. This capability will be ordered and procured under the existing SEA1397-5B Acquisition Contract (as additional order quantities). - DEF5010 – Active Electronically Scanned Array. This is a partnership between CEA Technologies and DSTG exploring the continuous development of Active Electronic Scanned Array technologies.
Note
Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m		Notes
Project Budget				
Jun 14	Original Approved (Initial Pass Approval)	62.8		1
Sep 15	Interim Pass Approval	52.6		
Jan 16	Pre 1st Pass Approval	22.1		2
Apr 16	Government 1st Pass Approval	208.2		3
Oct 17	Interim Pass Approval (Combat System)	55.5		
Jun 18	Government 2nd Pass Approval	5,782.7		
	Total at Second Pass Approval		6,183.9	
Aug 19	Real Variation - Transfer		3.3	4
Feb 22	Exchange Variation		(131.6)	
			(128.3)	
Jun 22	Total Budget – SEA5000PH1		6,055.7	
Project Expenditure				
Prior to Jul 21	Contract Expenditure - BAE Systems Maritime Australia (previously known as ASC Shipbuilding Pty Ltd)	(591.2)		5
	Contract Expenditure - US Government FMS Case (ATPGSC)	(132.9)		
	Contract Expenditure - CEA Technologies Pty Ltd	(39.7)		
	Contract Expenditure - Deloitte Touché Tohmatsu	(30.5)		
	Contract Expenditure - Odense Maritime Technology	(29.5)		
	Contract Expenditure - Saab Australia Pty Ltd	(24.0)		
	Contract Expenditure - Raytheon Australia Pty Ltd	(22.5)		
	Contract Expenditure - US Government FMS Case (ATPLFZ)	(7.5)		
	Other Contract Payments / Internal Expenses	(341.2)		
			(1,219.1)	
FY to Jun 22	Contract Expenditure - BAE Systems Maritime Australia (previously known as ASC Shipbuilding Pty Ltd)	(415.5)		6
	Contract Expenditure - US Government FMS Case (ATPGSC)	(72.4)		
	Contract Expenditure - US Government FMS Case (ATPLFZ)	(37.7)		
	Contract Expenditure - CEA Technologies Pty Ltd	(22.0)		
	Contract Expenditure – Raytheon Australia Pty Ltd	(12.0)		
	Contract Expenditure – Saab Australia Pty Ltd	(11.1)		
	Contract Expenditure – IBM Australia Ltd	(10.8)		
	Contract Expenditure - Odense Maritime Technology	(6.8)		
	Contract Expenditure - Deloitte Touché Tohmatsu	(5.1)		
	Other Contract Payments / Internal Expenses	(15.1)		
			(608.5)	
Jun 22	Total Expenditure		(1,827.6)	
Jun 22	Remaining Budget		4,228.2	
Notes				
1	CEA Technologies Radar Development Program			
2	Initiating the Competitive Evaluation Process for Future Frigates			
3	Conduct further combat system development activities and to secure critical support staff.			
4	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (SEG, formerly known as the Estate and Infrastructure Group (E&IG)) to address funding shortfall with the Naval Capability Infrastructure Subprogram (NCIS).			
5	Competitive Evaluation Process Participants (CEP) payment totals to \$122.5m, Project and Commercial Support payment totals to \$146.2m and Technical Support payment totals to \$72.4m.			
6	Project and Commercial Support payment totals to \$4.4m, and Technical Support payment totals to \$10.7m.			

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
655.2	532.1	531.1	PBS to PAES: The variance is a result of lower than forecast expenditure against the Head Contract with BAE Systems Maritime Australia due to delays in establishing contracts for long lead items, and a significant reduction in forecast disbursements for combat system elements being acquired via Foreign Military Sales. PAES to Final Plan: The variance is due to foreign exchange supplementation.
Variance \$m	(123.1)	(1.0)	Total Variance (\$m): (124.1)
Variance %	(18.8%)	(0.2%)	Total Variance (%): (18.9)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(52.0)	Australian Industry	The variation is mainly due to: • earlier than planned payment of a portion of the UK licence fee for the reference ship design • higher than forecast FMS disbursements for the combat management system; • higher pass-through shipyard costs under the Head Contract; and • services relating to CASG's MIE.
		(25.4)	Foreign Industry	
			Early Processes	
			Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
531.1	608.5	(77.4)	Total Variance	
		(14.6)	% Variance	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 22 \$m			
CEA Technologies Pty Ltd 1	Nov 14	0.9	47.0	Variable	Standard Defence Contract	1,5
CEA Technologies Pty Ltd 2	Sep 21	27.8	27.8	Fixed	Standard Defence Contract	5
Saab Australia Pty Ltd	Nov 14	2.4	40.5	Fixed	Standard Defence Contract	7,5
United States Government (AT-P-GSC)	Jan 16	5.5	251.5	Reimbursement	Foreign Military Sales (FMS)	3,5
Deloitte Touche Tohmatsu	Apr 16	0.182	49.6	Fixed	Standard Defence Contract	6,5
BAE Systems Maritime Australia (previously known as ASC Shipbuilding Pty Ltd)	Dec 18	1,904.1	2,726.8	Variable	Standard Defence Contract	4,5
Odense Maritime Technology	Mar 19	0.3	62.5	Variable	Standard Defence Contract	4,5
Raytheon Australia Pty Ltd 1	Apr 19	6.8	13.6	Variable	Standard Defence Contract	2,5
Raytheon Australia Pty Ltd 2	Oct 19	9.0	34.6	Variable	Standard Defence Contract	2,5
IBM Australia Limited	Mar 21	3.5	14.2	Fixed	Standard Defence Contract	5,8
United States Government (AT-P-LFZ)	Sep 20	626.6	619.7	Reimbursement	Foreign Military Sales (FMS)	5,9
Notes						
1	Initial risk reduction studies relating to integration of CEA radar. Subsequent extensions include risk reduction studies, radar development activities including initial design work, initial platform integration and support for the Aegis/CEAFAR interface development.					
2	Raytheon Australia Pty Ltd 1: Initial requirements verification and validation including development of a detailed design and progression towards Operation Readiness Review for the Maritime Information Environment. Subsequent extensions provide for hardware maintenance, software licences and support costs. Raytheon Australia Pty Ltd 2: Initial provision of specialist combat system technical support services for specialist services in support of combat management system activities and subsequent take up of option to extend to support continuous combat system development, which also includes uptake of additional personnel.					
3	US Government Initial MOU was for SEA5000 Feasibility and Technical Integration Study. Contract value was increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAR/Cooperative Engagement Capability (CEC) and integration of CEAFAR into the Aegis Combat System. Contract value also includes acquisition of Long Lead Time Items for Development Sites.					
4	Design and Productionisation for Hunter Class Frigates. Contract changes include inclusion of shipyard licence fees, facilities management services, Functional Baseline review, the Maritime Integration Environment, and the Interim Arrangement, as well as the removal of some Australian Interface scope.					

5	Contract values as at 30 June 2022 is based on actual expenditure to 30 June 2022 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).				
6	Initial Contract for Delivery of Shipbuilding Strategy Report, subsequent contracts for Project Management support.				
7	Initial Contracts for combat system studies and subsequent contracts for technical support and de-risking activities for the combat management systems and radar platform integration.				
8	Initial contract for services relating to the in-service support of the Maritime Information Environment, subsequent changes incorporated an upgrade to address shipbuilding and sustainment partner requirements, a scalable solution and implementation approach to reduce cost of ownership.				
9	The variance at "Price at signature" and the "as at 30 June 2022" is a result of fluctuations in current exchange rates.				
Contractor		Contracted Quantities as at		Scope	Notes
		Signature	30 Jun 22		
CEA Technologies Pty Ltd 1		N/A	N/A	Risk reduction radar development activities including design work, platform integration and support for the Aegis/CEAFAR interface development.	
CEA Technologies Pty Ltd 2		N/A	N/A	Development and testing of new interface between US Aegis and CEAFAR2 Phased Array Radar Systems.	
Saab Australia Pty Ltd		N/A	N/A	Combat system studies, technical support and de-risking activities for the combat management systems and radar platform integration.	
United States Government (AT-P-GSC and AT-P-LFZ)		N/A	N/A	Feasibility and Integration studies and acquisition of LLTIs.	
Deloitte Touche Tohmatsu		N/A	N/A	Project Management Support.	
BAE Systems Maritime Australia (previously knowns as ASC Shipbuilding Pty Ltd)		N/A	N/A	Design and Productionisation for the Hunter Class Frigates (HCF).	
Raytheon Australia Pty Ltd 1		N/A	N/A	Development of design operational readiness review of the Maritime Information Environment including licences, hardware and in-service support costs.	
Raytheon Australia Pty Ltd 2		N/A	N/A	Provision of specialist combat system technical support services and support continuous combat system development.	
Odense Maritime Technology		N/A	N/A	Identification of Support Requirements during the D&P stage.	
IBM Australia Limited		N/A	N/A	Services relating to the Maritime Information Environment (CASG's protected maritime ICT network across Naval shipyards and Defence establishments).	
Major equipment accepted and quantities to 30 Jun 22					
N/A					
Notes					
N/A					

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 Review (SRR)	Mission System and Support System	Sep 19	N/A	Sep 19	0	1
System Definition Review (SDR)	Mission System (Mission System System Definition Review (MSSDR))	Nov 20	Apr 22	May 22	18	1,2
	Support System (Support System System Definition Review (SSSDR))	Nov 20	Dec 22	Mar 23	28	1,2,3,8
Preliminary Design Review (PDR)	Mission System	N/A	N/A	Oct 23	N/A	1,2,4,8,9
Critical Design Review (CDR)	Mission System (System Critical Design Review (SCDR))	Nov 22	N/A	Dec 24	25	2,5,6,8,10
	Mission System (Final Critical Design Review (FCDR))	Jun 24	N/A	Dec 25	18	2,5,6,8,10
	Support System (Support System Critical Design Review (SSCDR))	Apr 25	N/A	Feb 27	22	2,5,6,7,8,10
Notes						
1	The Achieved/Forecast dates for the SRR, SDR and PDR design reviews are based on the date that the associated Head Contract Key Milestone was achieved or is forecast to be achieved. For SRR and MSSDR these dates were Sep 19 and May 22 respectively. For SSSDR and PDR, these dates are forecast to be Mar 23 and Oct 23 respectively. It is noted that Head Contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MSSDR, primarily as a result of design delays experienced in the UK Type 26					

	Program, has driven delays to subsequent design reviews. It is noted that the MSSDR included an element that was focused on the Land Based Test Site (Development and Sustainment) (LBTS(D&S)).
3	In Q3 21, the conduct of the SSSDR exit event was deferred to Oct 22, by mutual agreement between the Commonwealth and BAESMA, in order to enable the Integrated Logistics Support artefacts to be further matured thus significantly increasing the likelihood of achieving an optimal outcome from the design review process. The Head Contract Key Milestone associated with SSSDR is forecast to be achieved in Mar 23.
4	The Commonwealth and BAESMA are developing the scope of the PDR. The PDR exit event will be conducted in Jul 23 and will be focused on setting the Allocated Baseline (for the design of the Batch 1 ships and the LBTS(D&S)) and examining options to control the accumulation of risk into the detailed design leading into the Batch 1 Build stage. The forecast date been adjusted from Jul 23 (as reported in the 2020-21 report) to Oct 23 to align with the Head Contract Key Milestone date for PDR which is based on the Commonwealth's acceptance of the Key Milestone Progress Certificate. It is noted that the acceptance of a Progress Certificate for a Design Review is a number of months after the Design Review exit event to enable the closure or downgrading of action items that arise during the activity.
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only as the Commonwealth and BAESMA are in the process of re-baselining the schedule for the D&P scope beyond the PDR event. The D&P scope schedule re-baseline activity will be complete in Aug 22 in advance of the second Integrated Baseline Review (IBR2) to be conducted in late 2022.
6	Previous PDSS's have referred to a 'Critical Design Review – Combat System' event. The project will not conduct an event by this name. The concept of a 'Critical Design Review – Combat System' was contemplated prior to contract signature, however, it was not included in the System Review Plan that was agreed between the Commonwealth and BAESMA at contract signature as its scope was incorporated within the scope of the other Critical Design Reviews.
7	Previous PDSS's have not referred to the Critical Design Review – Support System (SSCDR) event. The date for this design review (Apr 25) was brought into the Head Contract via the Integrated Logistics Support (ILS) program contract change executed in Feb 21.
8	Forecast design review dates, derived from the Contract Master Schedule, include hard constraints. This means the dates are considered achievable and will not move if schedule slippage occurs. The D&P scope schedule re-baselining, in preparation for IBR2 in late 2022, may result in adjustments to design reviews that are currently subject to a hard constraint.
9	The Original Planned and Current Contracted dates for PDR are set as N/A due to this Design Review not being included into the Head Contract as a Key Milestone. This was addressed through a change to the Head Contract that was executed during the 2021-22 review period, however, the Effective Date of the change was 01 Jul 22 (which falls outside the review period).
10	The SCDR, FCDR and SSCDR are included in the Head Contract as Key Milestones, however, the date is set as TBC. As such, the Current Contracted dates for these Design Reviews are set as N/A. A change to the Head Contract will be executed in the 2022-23 review period to update these Key Milestone dates. The dates will be based on the outcome of the D&P re-baseline and IBR2 activities in late 2022 – see notes 5 and 8.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	N/A	Dec 20	0	
Acceptance	Ship 1 Build commencement	Dec 22	N/A	Jun 24	18	1,2
	Ship 1	TBA	N/A	TBA	N/A	3
Notes						
1	In Jun 21 the Government approved the deferral of the Ship 1 Build Commencement (Ship 1 Cut Steel) milestone date from Dec 22 to no later than Jun 24. The forecast date identified above refers to the milestone currently being worked to by the Commonwealth and BAESMA. It is noted, however, that the Batch 1 Build scope will be subject to Government Second Pass Approval in early 2024 to enable Commonwealth and BAESMA to include this scope within the Head Contract prior to Jun 24.					
2	The risk to the achievement of the Ship 1 Cut Steel milestone remains, but the milestone is currently considered achievable. The production by Design Zone methodology allows construction of low risk blocks to commence in Jun 24 as forecast, which enables the design for higher risk and more complex blocks to mature.					
3	This milestone is expected to be defined by Government Second Pass Approval in early 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	TBA	TBA	N/A	1,2
Initial Operational Capability (IOC)	TBA	TBA	N/A	1,2
Final Materiel Release (FMR)	TBA	TBA	N/A	1,3
Final Operational Capability (FOC)	TBA	TBA	N/A	1,3
Notes				
1	SEA5000 Phase 1 has approval to procure LLTIs, perform prototyping and detail Design and Productionisation of the HCF.			
2	These milestones are expected to be defined by Government in early 2024 when approval for Batch 1 Build is sought.			
3	These milestones are expected to be defined by Government in subsequent Second Pass Approvals.			
Schedule Status at 30 June 2022				
Not Applicable				

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	
Not Applicable	Green: The Project does not currently have any materiel capability delivery approved. The Project is currently approved for the D&P stage, inclusive of prototyping and procurement of LLTI for the HCF. Capability requirements continue to be refined and assessed against the Second Pass approved scope, cost and schedule. The Project is expected to return to Government in early 2024 to seek approval of the scope and funding required for the Batch 1 Build stage. Blue: In Feb 22, the Project obtained Interim Pass approval from Government to increase the Head Contract D&P scope to include four additional prototyping blocks in addition the five BAESMA is already contracted to build. In May 22, the Commonwealth approved BAESMA, under the current D&P scope and budget, to fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the Ship 1 mast. Amber: As described in Section 5, the Project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached. 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)	Note 1	Not yet achieved
Initial Operational Capability (IOC)	Note 1	Not yet achieved
Final Materiel Release (FMR)	Note 1	Not yet achieved
Final Operational Capability (FOC)	Note 1	Not yet achieved
Note 1 The Project has approval to procure LLTIs, perform prototyping and detailed Design and Productionisation of the HCF. These milestones are expected to be defined by Government in subsequent Second Pass Approvals.		

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 HCF design is approaching fundamental naval architecture limits on weight and stability, and is in danger of either exceeding one or more platform limitations or providing in-service growth margins that substantially limit future capabilities.	The Project is tracking naval architecture limits and design margins closely through Head Contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process. The next mandated review is the Preliminary Design Review planned for July 2023.
Change decisions are made without understanding technical, cost and schedule implications, leading to schedule slippage, cost growth, and an inability to achieve holistic technical performance objectives for Ship 1.	The Project has established and placed on contract the Mission System Functional Baseline and is now progressing towards the Allocated Baseline. BAESMA is undertaking a program re-baseline to update the Contract Master Schedule in preparation for the next Integrated Baseline Review.
The HCF design is not sufficiently mature to commence and maintain continuous, efficient production in Q2 2024.	Design Separation is being achieved via a staged release approach. The separation of Design Zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule.
The workforce requirements for the SEA5000 Phase1 capability and support system are not fully resourced within Navy's approved uniformed workforce guidance.	The Project, with Navy and BAESMA, is analysing the ship's Scheme of Complement to ensure it is fit for purpose. Positions will be prioritised to ensure a requisite workforce capability is available to support the HCF introduction into service.
The shipbuilding industry is not acquiring, developing, promoting or sustaining sufficient industrial shipbuilding workforce to support, operate and maintain Continuous Naval Shipbuilding.	BAESMA's plans, such as the Continuous Naval Shipbuilding (CNS) Strategy and CNS Plan, Workforce Management Plan and Supply Chain Management Plan, describe industry obligations and initiatives to develop the workforce and supply chains. The rating of this risk has been reduced to Medium since the 2020-21 report due to the

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
	progress that has been made through the approval of the Head Contract management plans, prototyping activities at the Osborne Naval Shipyard, and other enterprise-wide initiatives being implemented by the National Naval Shipbuilding Office.
BAESMA and the Type 26 Original Equipment Manufacturers do not maximise opportunities for Australian industry participation in each batch and achieve sovereign shipbuilding capability for Australia.	The Project is constantly striving to better understand the Australian industrial base and identify more opportunities to invest in, and develop, local industry capability and capacity. Australian Industry Capability (AIC) obligations are described in the Head Contract AIC Strategy and AIC Plan. The rating of this risk has been reduced to Medium since the 2020-21 report due to the progress that has been made through the approval of Head Contract management plans and a contract change that identified and locked-in Local Industry Investment funding for the Batch 1 Build stage.
Combat System integration into the ship is not sufficiently mature to support achievement of expected capability requirements for Ship 1/Batch 1.	The Project, BAESMA, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the Head Contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan.
The current Design and Productionisation scope realises a Batch 1 design that does not form a suitable basis for future batches, given the expectation of further capability insertion into future batches.	The Project is studying margin remediation options for future batch designs. The Project is continually reviewing requirements and developing plans to address obsolescence and capability development opportunities for future batches.
Emergent Risks (risk not previously identified but has emerged during 2021–22)	
Description	Remedial Action
Unable to raise, train and sustain future Navy workforce in order to support future Navy capabilities and provide Seaworthiness assurance.	The Project, with Navy and BAESMA, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required.
The delivered HCF (and future batches) has insufficient capability to counter current and emerging threats.	Ships Division, through the Maritime Integrated Warfare Systems Branch, to establish a Surface Combatant System Integration Service to support a spiral development strategy for the HCF.

5.2 Major Project Issues

Description	Remedial Action
Information exchange is constrained by security, cyber considerations, export, intellectual property, Defence policies and tools.	This is now being managed as a risk as there is a Frigate MoU in place between the Australian and UK governments. The Project actively participates in the Global Combat Ship User Group's information exchange working group. The Project works with the US and UK security authorities to clarify bilateral agreements, and with BAESMA to develop the Data Management System. The rating of this risk has been reduced to Medium since the 2020-21 report due to the governance associated with the Frigate MoU and the GCSUG now being business-as-usual combined with the progress that has been made in the roll-out of the DMS and other Information Management and Technology (IM&T) initiatives.
The acquisition and sustainment of Hunter Class Frigate is not achievable with the allocated funding.	The Project uses a process of progressive Government approval. Cost models are refined through the execution of discrete Head Contract scopes to meet budgeting and programming expectations along with proactive management of cost risk.
The Build Scope Statement contains a level of uncertainty unacceptable to SEA5000-1, Defence and Government.	This is now being managed as a risk as the Project is working collaboratively with BAESMA to meet an early 2024 approach to Government for the Batch 1 Build scope. The Head Contract has been changed to include a program for cost, risk and uncertainty management leading up to the delivery of BAESMA's Batch 1 Build scope response.

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
Government Furnished Material (GFM), data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various CoA Branches, Divisions and SPO's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Schedule Management
A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Lessons Learnt Processes
A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in ISO Standard 9004:2018 is required to ensure continuous and sustained success particularly within a Project that is highly complex.	Quality Management

Section 7 – Project Structure**7.1 Project Structure as at 30 June 2022**

Unit	Name
Division	Ships Division
Branch	Hunter Class Frigate Branch

Project Data Summary Sheet¹

Project Number	SEA5000 Phase 1
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18
Budget at 2nd Pass Approval	\$6,184.0m
Total Approved Budget (Current)	\$6,148.2m
2022-23 Budget	\$725.1m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 Phase 1 – Hunter Class Frigate (HCF) Design and Construction (the project) will deliver nine HCF optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Surface Combatant capability and replace the current Anzac Class Frigates.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. The HCF will contribute to air and surface warfare defence, as well as serving its primary mission of anti-submarine warfare.

The project is currently approved for the Design and Productionisation (D&P) stage, which includes:

- Progressing detailed design;
- Prototyping works; and,
- Procurement of Long Lead Time Items (LLTI) for Batch One Build.

The head contract is with BAE Systems Maritime Australia, a subsidiary of BAE Systems Australia (formally ASC Shipbuilding Pty Ltd). The HCF will be constructed in Osborne, South Australia.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2023, Financial Year (FY) 2022-23 expenditure is \$742.1m against FY 2022-23 budget of \$725.1m. The variation is mainly driven by higher than forecast Foreign Military Sales (FMS) disbursements for the combat management system; and, increase in supply chain costs and activity within the head contract.

Project Financial Assurance Statement

As at 30 June 2023, project SEA5000 Phase 1 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers that as at the reporting date there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not applied contingency in the FY 2022-23.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for Batch One production. This has enabled the design of the mission and support systems to proceed, together with mobilisation of BAE Systems Maritime Australia to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

As reported in previous MPRs, the completion date (planned November 2020, achieved December 2022) for the Mission System System Definition Review (SDR) drove delays to subsequent design reviews. The project also experienced schedule variance due to delays in the design maturity of the United Kingdom's (UK) Type 26 Program, which is the Reference Ship Design for the HCF. These delays in the UK were exacerbated by the COVID-19 pandemic.

In June 2021, the Government agreed to the deferral of the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This has enabled the Commonwealth of Australia (Commonwealth) and BAE Systems Maritime Australia to address design maturity and develop a contractible offer for the Batch One Build Scope. This in turn will enable the commencement of the construction of Ship One no later than June 2024. The extended prototyping period now includes the construction of four HCF

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.

blocks, in addition to the five Type 26 blocks that were approved by Government in 2018. The project intends to use the four additional prototyping blocks in the construction of the Ship One.

The project is expected to return to Government for consideration of the Batch One Build proposal and Second Pass funding approval in early 2024.

While there are significant risks and challenges, as would be expected for a project of this complexity, the project is on track to commence Ship One construction in Quarter 2, 2024. The Commonwealth continues to work with BAE Systems Maritime Australia on mitigating risks, managing issues and any associated impacts to the project.

In 2022-23 key activities achieved included the Support System - System Definition Review (SS-SDR), and the second Integrated Baseline Review (IBR2).

Materiel Capability/Scope Delivery Performance

The current scope of the head contract addresses the D&P stage, inclusive of prototyping and procurement of LLTI for the Batch One Build stage. Under the existing head contract D&P scope and budget, BAE Systems Maritime Australia will also fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the Ship One mast.

Note

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

1.3 Project Context

Background

The project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan. The project is in the D&P stage, and will progress through multiple Government decision-making points for subsequent project stages.

The project was initiated in June 2014 with an Initial Pass approved by Government to commence capability development activities. Key activities and announcements over subsequent years included:

- August 2015 Government announced bringing forward the Future Frigate program to replace the Anzac Class Frigates as part of a continuous onshore build program to commence in 2020.
- September 2015 Interim Pass approved by Government for CEA Technologies Pty Ltd Radar Development activities.
- November 2015 Interim Pass approved by Government to progress a Competitive Evaluation Process (CEP).
- April 2016 First Pass approval for SEA5000 Phase 1 to complete the CEP based on tenders received from three ship designers.
- October 2017 Government announced decision to select the Aegis Combat System (ACS) together with an Australian Interface developed by Saab Australia Pty Ltd as the Combat Management System solution for the Future Frigate.
- June 2018 Government announced BAE Systems Maritime Australia's Global Combat Ship – Australia (GCS-A) as the capability best suited to Defence needs. The nine frigates were classed as the Hunter Class Fast Frigate Guided.

In February 2022, the project sought Interim Pass approval from Government to contract BAE Systems Maritime Australia to construct four additional prototyping blocks in addition to the five it is contracted to build under the current D&P scope. The aim is to:

- Provide the minimum necessary additional production scope to ensure no redundancies are required in the core production workforce and maintain reasonable continuity of production skill sets; and,
- Reduce cost, risk, and uncertainty while improving design maturity and schedule durations to ensure the Commonwealth and BAE Systems Maritime Australia can execute an arrangement for the Batch One Build scope which is affordable and acceptable to the Commonwealth.

Uniqueness

The project, delivering nine anti-submarine warfare frigates to the RAN, is one of the largest naval ship building projects ever undertaken in Australia.

SEA5000 Phase 1 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each stage requiring separate approvals by Government to ensure the project remains within cost constraints.

While the principles of the One Defence Capability System will be applied to the project, due to the longevity, and staged nature of the project, a unique approach will be required to manage the nine ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for each of the three batches of ships and their support system.

Major Risks and Issues

The project is currently managing risks at both a strategic and tactical level. Strategic risks identified within Section 5 broadly fall under a number of key areas being:

- Ship design maturity;
- Combat System Integration;
- Operating capability delivered to Navy; and,
- Navy workforce.

Other Current Related Projects/Phases

- N/A.

Note

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

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Jun 14	Original Approved (Initial Pass Approval)	62.8	
Sep 15	Interim Pass Approval	52.6	1
Jan 16	Pre First Pass Approval	22.1	2
Apr 16	Government First Pass Approval	208.2	
Oct 17	Interim Pass Approval	55.5	3
Jun 18	Government Second Pass Approval	5,782.7	
	Total at Second Pass Approval	6,184.0	
Aug 19	Real Variation – Transfer	3.3	4
Sep 22	Real Variation – Transfer	(9.8)	5
Mar 23	Real Variation – Transfer to DST05000 Phase 1	(12.5)	6
Mar 23	Exchange Variation	(16.8)	
		(35.8)	
Jun 23	Total Budget	6,148.2	
Project Expenditure			
Prior to Jul 22	Contract Expenditure – BAE Systems Maritime Australia	(1,006.7)	
	Contract Expenditure – FMS Case (AT-P-GSC)	(205.3)	
	Contract Expenditure – CEA Technologies Pty Ltd	(61.7)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(45.2)	
	Contract Expenditure – Saab Australia Pty Ltd	(35.1)	
	Contract Expenditure – Raytheon Australia Pty Ltd 1	(13.6)	
	Contract Expenditure – Raytheon Australia Pty Ltd 2	(17.3)	
	Other Contract Payments / Internal Expenses	(442.6)	7
		(1,827.6)	
FY to Jun 23	Contract Expenditure – BAE Systems Maritime Australia	(537.6)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(76.3)	
	Contract Expenditure – CEA Technologies Pty Ltd	(37.0)	
	Contract Expenditure – FMS Case (AT-P-GSC)	(7.4)	
	Contract Expenditure – Raytheon Australia Pty Ltd 2	(5.6)	
	Contract Expenditure – Saab Australia Pty Ltd	(3.1)	
	Other Contract Payments / Internal Expenses	(75.1)	8
		(742.1)	
Jun 23	Total Expenditure	(2,569.7)	
Jun 23	Remaining Budget	(3,578.5)	
Notes			
1	CEA Technologies Pty Ltd Radar Development Program.		
2	Initiating the CEP for Future Frigates.		
3	Conduct further combat system development activities and to secure critical support staff.		
4	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (formerly known as the Estate and Infrastructure Group) to address funding shortfall with the Naval Capability Infrastructure Subprogram.		
5	Funding transfer between CASG and Navy to address funding shortfall due to Interim Arrangement.		
6	Funding transfer between CASG and Defence Science and Technology (DST) Group.		
7	Other Contract Payments/Internal Expenses comprise of, Project and Commercial Support payment totals to (\$216.6m) (including Deloitte Touche Tohmatsu (\$35.9m)), CEP participants payment totals to (\$122.5m) and Technical Support payment totals to (\$117.2m) (including Raytheon Australia Pty Ltd \$3.6m).		
8	Other Contract Payments/Internal Expenses comprise of, Project and Commercial Support payment totals to (\$59.0m) (including Deloitte Touche Tohmatsu (\$4.9m) and BAE Systems Maritime Australia (\$1.0m), and Technical Support payment totals to (\$15.8m).		

Notice to reader

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

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
600.4	724.9	725.1	<u>Portfolio Budget Statement (PBS) to Portfolio Additional Estimate Statement (PAES)</u> : The budget has increased by \$140.6m in FY 2022-23 and by \$32.8m in FY 2023-24 compared to the latest endorsed plan, primarily due to future payments of UK license fee on achievement of design zone separation and the ramp up of activities within the BAE Systems Maritime Australia head contract. <u>PAES to Final Plan</u> : variance due to Real Variation - Transfer to DST05000 Phase 1 and exchange rate variations.
Variance \$m	124.5	0.3	Total Variance (\$m): 124.7
Variance %	20.7	0.0	Total Variance (%): 20.8

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		5.1	Australian Industry	The variation is mainly driven by higher than forecast FMS disbursements for the combat management system; and, increase in supply chain costs and activity within the head contract.
		(3.3)	Foreign Industry	
		-	Early Processes	
		0.8	Defence Processes	
		14.4	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
725.1	742.1	17.0	Total Variance	
		2.3	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
CEA Technologies Pty Ltd 1	Nov 14	0.9	50.0	Variable	Standard Defence Contract	1, 5
Saab Australia Pty Ltd	Nov 14	2.4	46.7	Variable	Standard Defence Contract	7, 5
United States (US) Government (AT-P-GSC)	Jan 16	5.5	255.2	Reimbursement (for FMS)	FMS	3, 5
BAE Systems Maritime Australia	Dec 18	1,904.1	2,567.4	Variable	Standard Defence Contract	4, 5
Odense Maritime Technology	Mar 19	0.3	61.3	Variable	Standard Defence Contract	4, 5
Raytheon Australia Pty Ltd 1	Apr 19	6.8	13.6	Variable	Standard Defence Contract	2, 5
Raytheon Australia Pty Ltd 2	Oct 19	9.0	34.6	Variable	Standard Defence Contract	2, 5
IBM Australia Limited	Apr 20	3.5	12.0	Firm or Fixed	Standard Defence Contract	5, 8
US Government (AT-P-LFZ)	Sep 20	626.6	964.1	Reimbursement (for FMS)	FMS	5, 9
CEA Technologies Pty Ltd 2	Sep 21	27.8	136.1	Firm or Fixed	Standard Defence Contract	1, 5
Notes						
1	CEA Technologies Pty Ltd 1 refers to continuing risk reduction radar development activities including initial design work, initial platform integration and support for the Aegis/CEAFAR interface development. CEA Technologies Pty Ltd 2 refers development and testing of new interface between US Aegis and CEA Technologies Pty Ltd Phased Array Radar (CEAFAR2) Phased Array Radar Systems.					
2	Raytheon Australia Pty Ltd 1; Initial requirements verification and validation including development of a detailed design and progression towards Operation Readiness Review for the Maritime Information Environment (MIE). Subsequent extensions provide for hardware maintenance, software licenses and support costs. Raytheon Australia Pty Ltd 2; Initial provision of specialist combat system technical support services for specialist services in support of combat management system activities and subsequent take up of option to extend to support continuous combat system development, which also includes uptake of additional personnel.					
3	The US Government Initial Memorandum of Understanding was for SEA5000 Feasibility and Technical Integration Study. Contract value was increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAR/Cooperative Engagement Capability and integration of CEAFAR into the ACS. Contract value also includes acquisition of LLTI for Development Sites.					

4	D&P for HCF Contract changes include inclusion of shipyard licence fees, facilities management services, Functional Baseline review, the Maritime Information Environment, and the Interim Arrangement, as well as the removal of some Australian Interface scope.
5	Contract values as at 30 June 2023 are based on actual expenditure to 30 June 2023 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).
6	Contract for Delivery of Shipbuilding Strategy Report, subsequent contracts for project management support.
7	Initial Contracts for combat system studies and subsequent contracts for technical support and de-risking activities for the combat management systems and radar platform integration.
8	Services relating to the MIE, the CASG Protected Maritime Information and Communications Technology network across Naval Shipyards and Defence establishments for the use of Commonwealth and Industry to support continuous Naval Shipbuilding and Sustainment.
9	Initial amount for the acquisition of Australian Surface Combatants ACS long lead items. Amendment includes additional major weapons system equipment.

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
CEA Technologies Pty Ltd 1	N/A	N/A	Continuing risk reduction radar development activities including initial design work, initial platform integration and support for the Aegis/CEAFAR interface development.	-
CEA Technologies Pty Ltd 2	N/A	N/A	Development and testing of new interface between US Aegis and CEAFAR2 Phased Array Radar Systems.	-
Saab Australia Pty Ltd	N/A	N/A	Combat System Risk Reduction and Support.	-
US Government (AT-P-GSC)	N/A	N/A	Feasibility and Integration studies and acquisition of LLTI.	-
US Government (AT-P-LFZ)	3	3	Three shipsets of ACS long lead items.	1
BAE Systems Maritime Australia	N/A	N/A	D&P for HCF.	-
Raytheon Australia Pty Ltd	N/A	N/A	Supply of Combat Systems Technical Support Services.	-
Odense Maritime Technology	N/A	N/A	Identification of Support Requirements during D&P stage.	-
IBM Australia Ltd	N/A	N/A	MIE support services.	-
Major equipment accepted and quantities to 30 Jun 23				
N/A				
Notes				
1	The US Government (AT-P-LFZ) quantity is three to fulfil the requirement of first batch of three ships.			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in CEA Technologies Pty Ltd, BAE Systems Maritime Australia, Saab Australia Pty Ltd, AIC Plan in support of their program & project management, systems integration, data management, business intelligence support and assurance activities.
The project has no contracted AIC targets or AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
There is no AIC targets or AIC Plan for Odense Maritime Technology and IBM Australia Ltd as they are one of several contractors under the CASG-wide Major Service Provider contract that provides above the line work force to projects.
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	Mission System and Support System	Sep 19	N/A	Sep 19	0	1
System Definition Review	Mission System	Nov 20	Apr 22	May 22	18	1, 2
	Support System	Nov 20	Mar 23	Dec 22	25	1, 2, 3

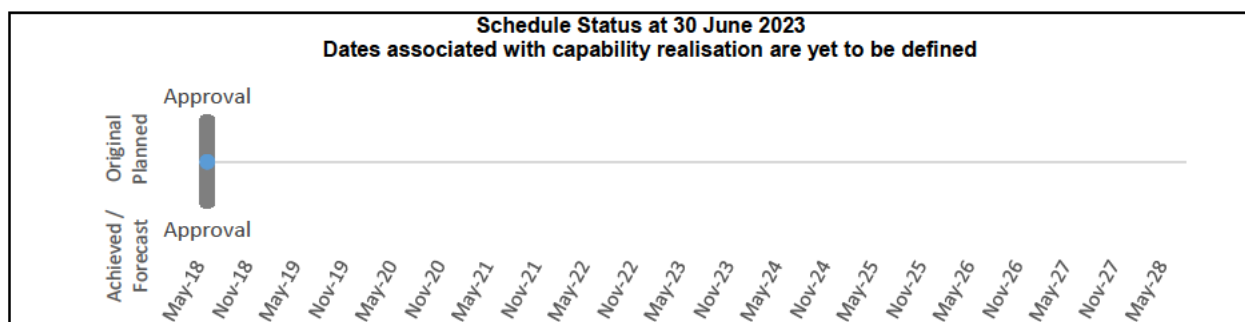
Preliminary Design Review (PDR)	Mission System	N/A	Oct 23	Oct 23	N/A	1, 2, 4
Critical Design Review (CDR)	Mission System CDR	Nov 22	N/A	Sep 25	34	2, 5
	Mission System (Final Critical Design Review (FCDR))	Jun 24	N/A	Mar 27	33	2, 5
	Support System (Support System Critical Design Review (SSCDR))	Apr 25	N/A	To Be Announced (TBA)	N/A	2, 5
Notes						
1	The achieved/forecast dates for the System Requirements Review (SRR), SDR and PDR design reviews are based on the date that the associated head contract Key Milestone were achieved or is forecast to be achieved. Achievement of SRR and Mission System SDR (MSSDR) were September 2019 and May 2022 respectively. It is noted that head contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MSSDR, primarily as a result of design delays experienced in the UK Type 26 Program, has driven delays to subsequent design reviews. It is noted that the MSSDR included an element that was focused on the Land Based Test Site (Development and Sustainment) (LBTS (D&S)).					
3	In Quarter 3, 2021, the conduct of the SS-SDR exit event was deferred to October 2022, by mutual agreement between the Commonwealth and BAE Systems Maritime Australia, in order to enable the Integrated Logistics Support artefacts to be further matured thus significantly increasing the likelihood of achieving an optimal outcome from the design review process.					
4	The Commonwealth and BAE Systems Maritime Australia have agreed to the scope of the PDR. The PDR exit event will be conducted in July 2023 and will be focused on setting the Allocated Baseline (for the design of the Batch One ships and the LBTS (D&S) and examining options to control the accumulation of risk into the detailed design leading into the Batch One Build stage. As reported in the 2021-22 MPR, the forecast date is October 2023 to align with the head contract Key Milestone date for PDR that is based on the Commonwealth's acceptance of the Key Milestone Progress Certificate. It is noted that the acceptance of a Progress Certificate for a Design Review is a number of months after the Design Review exit event to enable the closure or downgrading of action items that arise during the activity.					
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only as the Commonwealth and BAE Systems Maritime Australia are in the process of re-baselining the schedule for the D&P scope beyond the PDR event. The D&P scope schedule re-baseline activity was completed in August 2022 in advance of the IBR2 conducted in November 2022. BAE Systems Maritime Australia formally proposed the dates listed in the table for SSCDR and FCDR in November 2022, with a date for SSCDR to be proposed once the Contract Change Proposal for support system functional baseline has been agreed.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One Build commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	TBA	N/A	TBA	N/A	3
Notes						
1	In June 2021 the Government approved the deferral of the Ship One Build Commencement (Ship One Cut Steel) milestone date from December 2022 to no later than June 2024. The forecast date identified above refers to the milestone currently being worked to by the Commonwealth and BAE Systems Maritime Australia. It is noted, however, that the Batch One Build scope will be subject to Government Second Pass Approval in early 2024 to enable Commonwealth and BAE Systems Maritime Australia to include this scope within the head contract prior to June 2024.					
2	The risk to the achievement of the Ship One Cut Steel milestone remains, but the milestone is currently considered achievable. The 'production by design zone' methodology allows construction of low risk blocks to commence in June 2024 as forecast, which enables the design for higher risk and more complex blocks to mature.					
3	This milestone is expected to be defined by Government Second Pass Approval in early 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	TBA	TBA	N/A	1, 2
Initial Operational Capability (IOC)	TBA	TBA	N/A	1, 2
Final Materiel Release (FMR)	TBA	TBA	N/A	1, 3
Final Operational Capability (FOC)	TBA	TBA	N/A	1, 3
Notes				
1	SEA5000 Phase 1 has approval to procure LLTI, perform prototyping and detail D&P of the HCF.			
2	These milestones are expected to be defined by Government in early 2024 when approval for Batch One Build is sought.			
3	These milestones are expected to be defined by Government in subsequent Second Pass Approvals.			

**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

Not Applicable	Green: The project does not currently have any materiel capability delivery approved. The project is currently approved for the D&P stage, inclusive of prototyping and procurement of LLTI for the HCF. Capability requirements continue to be refined and assessed against the Second Pass approved scope, cost and schedule. The project is expected to return to Government in early 2024 to seek approval of the scope and funding required for the Batch One Build stage.
	Amber: As described in Section 5, the project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached.
	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)	Note 1	Not yet Achieved
Initial Operational Capability (IOC)	Note 1	Not yet Achieved
Final Materiel Release (FMR)	Note 1	Not yet Achieved
Final Operational Capability (FOC)	Note 1	Not yet Achieved
Notes		
1	The project has approval to procure LLTI, perform prototyping and detailed D&P of the HCF. These milestones are expected to be defined by Government in subsequent Second Pass Approvals.	

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	There is a risk that HCF design may exceed the naval architecture limits on weight and stability at the completion of the D&P scope, which may limit or provide in-service growth margins that substantially limit future capabilities.	The project is tracking naval architecture limits and design margins closely through head contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process. The next mandated review is the PDR planned for July 2023.
2	There is a risk that change decisions are made without understanding technical, cost and schedule implications during the D&P scope that leads to schedule slippage, cost growth, and an inability to achieve holistic technical performance objectives in future project scope.	The project has established and placed on contract the Mission System Functional Baseline and is now progressing towards the Allocated Baseline. Approved configuration change processes are in place. The rating of the risk has been reduced to Medium since the FY 2021-22 report due to the completion of SDR and the allocation of a Functional Baseline.

3	There is a risk that the HCF design is not sufficiently mature at the completion of the D&P scope to commence and maintain continuous, efficient production in Quarter 2, 2024 which will impact the ship delivery program.	Design maturity is being achieved via a staged release approach. The maturity of design zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule.
4	There is a risk that the combat system integration into the ship is not sufficiently mature at the completion of the D&P scope to support achievement of the zonal design process which will impact the expected capability requirements for future project scope.	The project, BAE Systems Maritime Australia, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the head contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan.
5	There is a risk that the Navy is unable to raise, train and sustain future Navy workforce prior to ship delivery which will impact the ability to support future Navy capabilities and provide seaworthiness assurance.	The project, with Navy and BAE Systems Maritime Australia, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required.
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

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

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and 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. The project has captured five lessons related to Contract Management, First of Type Equipment, Schedule Management, Governance, and Requirements Management. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorized any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Observation. Government Furnished Material, data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various branches, divisions and System Program Office's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Schedule Management
Lesson Type – Observation. A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Lessons Learnt Processes
Lesson Type – Observation. A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in International Organisation for Standardization Standard 9004:2018 is required to ensure continuous and sustained success particularly within a project that is highly complex.	Quality Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Major Surface Combatants and Combat Systems Division
Branch	Hunter Class Frigate

Project Data Summary Sheet¹

Project Number	SEA5000 Phase 1
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18 (D&P) Jun 24 (Batch One Construction)
Budget at 2nd Pass Approval	\$25,845.5m
Total Approved Budget (Current)	\$25,924.0m
2023–24 Budget	\$1,062.8m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 Phase 1 – Hunter Class Frigate Design and Construction (the project) will deliver six Hunter Class Frigates optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Tier 1 Surface Combatant capability.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. Hunter Class Frigates will contribute to air and surface warfare defence, as well as serving their primary mission of anti-submarine warfare.

In 2018 the project was approved for the Design and Productionisation (D&P) stage, which included:

- Progressing detailed design.
- Prototyping works.
- Procurement of Long Lead Time Items (LLTI) for the first three ships.

The head contract is with ASC Shipbuilding Pty Ltd (known and reported as BAE Systems Maritime Australia). The Hunter Class Frigates will be constructed in Osborne, South Australia.

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Hunter Class Frigate project was directed to acquire six ships of the same configuration.

On 11 June 2024 the Government approved the project to transition from the D&P stage into the Construction stage for the first batch of three ships, with additional funding approved to commence from Financial Year (FY) 2024-25. The Head Contract was amended on 20 June 2024 to include the Construction scope in the contract, with the new scope and amended commercial arrangements taking effect on 1 July 2024. A 'cut steel' event was held at Osborne, South Australia, on 21 June 2024 to initiate the transition to the Construction stage.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2024 FY 2023-24 expenditure was \$1,068.2m against the FY 2023-24 budget of \$1062.8m. The overspend was a result of efforts by the Project Team and BAE Systems Maritime Australia working together to ensure supply chain delays experienced earlier in the financial year were recovered.

Project Financial Assurance Statement

As at 30 June 2024, SEA5000 Phase 1 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, 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 FY 2023-24.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. This has enabled the design of the mission and support systems to proceed, together with mobilisation of BAE Systems Maritime Australia to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

As reported in the 2022-23 Major Projects Report (MPR), the completion date (planned for November 2020, achieved on December

Notice to reader

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

2022) for the Mission System (MS) System Definition Review (SDR) drove delays to subsequent design reviews. The project also experienced schedule delay due to a combination of factors, including Covid-19 impacts and immaturity of the United Kingdom's (UK) Type 26 frigate design, which is the Reference Ship Design for the Hunter Class Frigate.

In June 2021, the Government agreed to defer the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This enabled Defence and BAE Systems Maritime Australia to address design maturity and develop a contractible offer for the first batch of three ships. The extended prototyping period initially included the construction of four Hunter Class Frigate Schedule Protection Blocks, in addition to the five Type 26 prototype blocks that were previously approved by Government in 2018. In November 2023, the Government approved an additional two Schedule Protection Blocks, both of which have since commenced construction. The project will use the six Schedule Protection Blocks in construction of the first ship.

The project returned to Government in June 2024 for consideration of the Batch One construction proposal. The project received Second Pass approval for construction of the first three ships.

While there are significant risks and challenges, as would be expected for a project of this complexity, the project commenced construction of the first ship on 21 June 2024. Defence continues to work with BAE Systems Maritime Australia to mitigate risks and manage issues.

In 2023-24 key activities achieved included completion of the Preliminary Design Review (PDR), Production Readiness Review (PRR), and the third Integrated Baseline Review (IBR3), as well as obtaining Government Second Pass approval for construction of the first three ships.

Initial key activities include progression of prototyping activities and Schedule Protection Block (SPB) construction, progression on the design zonal reviews, and ramp up of the Construction stage.

Materiel Capability/Scope Delivery Performance

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Government committed to the construction of six Hunter Class Frigates of the same configuration in two batches of three. This is an update from the previous Governments commitment to build nine Hunter Class Frigates in three batches of three. The Government has approved the construction for the first three frigates and the project will return to Government for approval of the subsequent three frigates later in this decade.

As at 30 June 2024, the scope of the head contract addressed the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. Under the existing head contract D&P scope and budget, BAE Systems Maritime Australia will also fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the mast.

Note

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

1.3 Project Context

Background

The project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan. As at 30 June 2024, the project was in the D&P stage and had commenced the transition to the Construction stage. The project will continue to progress through multiple Government decision-making points for subsequent project stages.

The project was initiated in June 2014 with an Initial Pass approved by Government to commence capability development activities. Key activities and announcements over subsequent years included:

- August 2015 Government announced bringing forward the Future Frigate program to replace the Anzac Class Frigates as part of a continuous onshore build program to commence in 2020.
- September 2015 Interim Pass approved by Government for CEA Technologies Pty Ltd Radar Development activities.
- November 2015 Interim Pass approved by Government to progress a Competitive Evaluation Process (CEP).
- April 2016 First Pass approval for SEA5000 Phase 1 to complete the CEP based on tenders received from three ship designers.
- October 2017 Government announced decision to select the Aegis Combat System (ACS) together with an Australian Interface developed by Saab Australia Pty Ltd as the Combat Management System solution for the Future Frigate.

June 2018 Government announced BAE Systems Maritime Australia Global Combat Ship – Australia (GCS-A) as the capability best suited to Defence needs. The frigates were classed as the Hunter Class Fast Frigate Guided.

March 2020, the Hunter Class Frigate project was elevated to a Project of Interest, due to significant schedule, technical, workforce and cost challenges. February 2022, the project sought Interim Pass approval from Government to contract BAE Systems Maritime Australia to construct four Schedule Protection Blocks in addition to the five Type 26 prototype blocks it was already contracted to construct under the D&P scope.

July 2023, a PDR was conducted. The focus of the review was setting the Allocated Baseline (for the design of the Batch One ships and the Land Base Test Site), and examining options to control the accumulation of risk as detailed design progressed towards the Construction stage. In line with the forecast in the 2022-23 MPR, the PDR Key Milestone was achieved on schedule in October 2023.

November 2023, the Government approved an additional two Schedule Protection Blocks. This approval was intended to mitigate the risks of the loss of shipyard workforce prior to a Government approval to enter into the Batch One Construction Contract in Quarter 2, 2024.

February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Hunter Class Frigate project was directed to acquire six ships of the same configuration.

Uniqueness

SEA5000 Phase 1 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each

stage requiring separate approvals by Government to ensure the project remains within cost constraints.

While the principles of the One Defence Capability System will be applied to the project, due to the longevity, and staged nature of the project, a unique approach will be required to manage the six ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for each of the two batches of ships and their support system.

Major Risks and Issues

The project is currently managing risks at both a strategic and tactical level. Strategic risks identified within Section 5 broadly fall under a number of key areas being:

- Ship design maturity.
- Combat System Integration.
- Operating capability delivered to Navy.
- Navy workforce.

Other Current Related Projects/Phases

Not applicable

Note

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

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Jun 14	Original Approved (Initial Pass Approval)	62.8	
Sep 15	Interim Pass Approval	52.6	1
Jan 16	Pre First Pass Approval	22.1	2
Apr 16	Government First Pass Approval	208.2	
Oct 17	Interim Pass Approval	55.5	3
Jun 18	Government Second Pass Approval (D&P)	5,782.7	
Aug 19	Real Variation – Transfer	3.3	5
Sep 22	Real Variation – Transfer	(9.8)	6
Mar 23	Real Variation – Transfer to DST05000 Phase 1	(12.5)	7
Jun 24	Government Second Pass Approval (Batch 1 Construction)	19,680.6	4
	Total at Second Pass Approval	25,845.5	
Jun 24	Exchange Variation	78.4	
Jun 24	Total Budget	25,924.0	
	Project Expenditure		
Prior to Jul 23	Contract Expenditure – BAE Systems Maritime Australia	(1,544.4)	
	Contract Expenditure – Foreign Military Sales (FMS) Case (AT-P-GSC)	(212.7)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(121.5)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(51.4)	
	Contract Expenditure – Odense Maritime Technology A/S	(40.8)	10
	Other Contract Payments / Internal Expenses	(639.1)	8
		(2,569.7)	
FY to Jun 24	Contract Expenditure – BAE Systems Maritime Australia	(758.2)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(104.0)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(59.3)	
	Contract Expenditure – Thales Australia Ltd	(29.4)	
	Contract Expenditure – Saab Australia Pty Ltd 2	(11.6)	
	Other Contract Payments / Internal Expenses	(105.8)	9
		(1,068.2)	
Jun 24	Total Expenditure	(3,637.9)	
Jun 24	Remaining Budget	22,286.1	

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.

Notes	
1	CEA Technologies Pty Ltd Radar Development Program.
2	Initiating the Competitive Evaluation Process for Future Frigates.
3	Conduct further combat system development activities and to secure critical support staff.
4	The project received Second Pass approval for construction of the first three ships.
5	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (formerly known as the Estate and Infrastructure Group) to address funding shortfall with the Naval Capability Infrastructure Sub-program.
6	Funding transfer between CASG and Navy to address funding shortfall due to Interim Arrangement.
7	Funding transfer between CASG and Defence Science and Technology Group
8	Other contract payments include: - Project and Commercial Support (\$279.4m) which includes Deloitte Touche Tohmatsu LLC (\$40.5m), Odense Maritime Technology A/S (\$12.9m). - Technical Support (\$237.2m) which includes Raytheon Australia Pty Ltd (\$40.1m) and SAAB Australia Pty Ltd 1 (\$34.9m). - Competitive Evaluation Process Participants (\$122.5m) which includes BAE Systems Australia Ltd (\$56.6m) and Fincantieri S.P.A (\$29.7m).
9	Other contract payments include: - Project and Commercial Support (\$78.4m); which includes Deloitte Touche Tohmatsu LLC (\$3.7m) and QinetiQ Pty Ltd (\$2.2m). - Technical Support (\$27.4m) which includes; Downer Defence Services (\$8.1m) and Gibbs & Cox Australia Pty Ltd (\$5.8m).
10	Odense Maritime Technology A/S previous expenditure was included under Other Contract Payments expenditure specifically called out in this year's report due to contract value being in the Top five contract amounts

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
779.6	1,190.5	1,062.8	<u>Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statements (PAES):</u> The increase in budget due to: additional Head Contract requirements relating to the Schedule Protection Blocks; increase in forecasted FMS disbursements; increase in Towed Array Sonar expenditure for long lead-time items to meet schedule; and increase in Foreign Exchange adjustments. <u>PAES to Final Plan:</u> The movement is due to lower than forecast expenditure against the Head Contract; reduction in Australian Interface and CEA Technologies Pty Ltd expenditure; decrease in FMS disbursements; and decrease in Foreign Exchange adjustments.
Variance \$m	410.9	(127.7)	Total Variance (\$m): 283.3
Variance %	52.7	(10.7)	Total Variance (%): 36.3

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		3.4	Australian Industry	Higher than budgeted expenditure is due to: Efforts by the Project Team and BAE Systems Maritime Australia to ensure supply chain delays experienced earlier in the FY were recovered. This has offset underspends against combat system activities and delays in establishing temporary warehousing at Osborne.
		2.0	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
1,062.8	1,068.2	5.4	Total Variance	
		0.5	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 24 \$m			
US Government (AT-P-GSC)	Jan 16	5.5	256.9	Reimbursement (for FMS)	FMS	1, 7
BAE Systems Maritime Australia	Dec 18	1,904.1	3,124.7	Variable	Standard Defence Contract	2, 7
US Government (AT-P-LFZ)	Sep 20	626.6	980.2	Reimbursement (for FMS)	FMS	3, 7

CEA Technologies Pty Ltd 2	Sep 21	27.8	136.5	Firm or Fixed	Standard Defence Contract	4, 7
Saab Australia Pty Ltd 2	Jul 23	2.7	30.2	Firm or Fixed	Standard Defence Contract	5, 7
Thales Australia Ltd	Oct 23	66.3	66.8	Firm or Fixed	Standard Defence Contract	6, 7

Notes

1	US Government Initial Memorandum of Understanding (MoU) was for SEA5000 Feasibility and Technical Integration Study. Contract value increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAAR / Cooperative Engagement Capability and integration of CEAFAAR into the ACS. Contract value also includes acquisition of Long Lead Time Items for Development Sites.
2	D&P for Hunter Class Frigates. Major Contract changes since Effective Date include the Interim Arrangement, and introduction of the Support System Scope.
3	Initial amount for the acquisition of Australian Surface Combatants ACS long lead items. Amendment includes additional major weapons system equipment.
4	The development and testing of new interface between US Aegis and CEAFAAR2 Phased Array Radar Systems.
5	Strategic Management System Services under the Australian Combat Management System Enterprise Partnering Agreement for Design and Engineering Services for the Australian Combat System Interface with ACS, scope has grown from initial planning to include design and delivery services for Hunter.
6	Towed Array Sonar Long Lead Time Items for three shipsets.
7	Contract value as at 30 June 2024 is based on actual expenditure to 30 June 2024 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 24		
US Government (AT-P-GSC)	N/A	N/A	Feasibility and Integration studies	-
BAE Systems Maritime Australia	N/A	N/A	D&P for Hunter Class Frigates.	-
US Government (AT-P-LFZ)	3	3	Three shipsets of ACS long lead items.	-
CEA Technologies Pty Ltd 2	N/A	N/A	Development and testing of new interface between US Aegis and CEAFAAR2 Phased Array Radar Systems.	-
Saab Australia Pty Ltd 2	N/A	N/A	Design and Engineering Services for the Australian Combat System Interface with ACS.	-
Thales Australia Ltd	3	3	Towed Array Sonar Long Lead Time Items only for three shipsets.	-
Major equipment accepted and quantities to 30 Jun 24				
N/A				
Notes				
N/A				

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in CEA Technologies Pty Ltd, BAE Systems Maritime Australia, Saab Australia Pty Ltd and Thales Australia Ltd AIC Plans in support of their program & project management, systems integration, data management, business intelligence support and assurance activities.
The project has no contracted AIC targets or AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
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 Review (SRR)	Mission System and Support System (SS)	Sep 19	N/A	Sep 19	0	1
System Definition Review (SDR)	Mission System	Nov 20	Apr 22	May 22	18	1, 2
	Support System	Nov 20	Mar 23	Dec 22	25	1, 2, 3

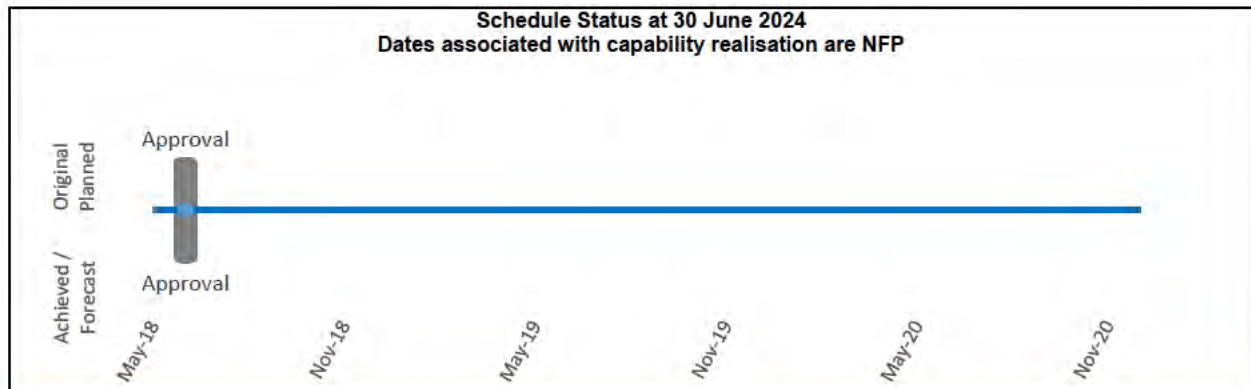
Preliminary Design Review (PDR)	Mission System	N/A	Oct 23	Oct 23	N/A	1, 2, 4
Critical Design Review (CDR)	Mission System CDR	Nov 22	N/A	N/A	N/A	6
	Mission System (Final Critical Design Review (F-CDR))	Jun 24	N/A	NFP	NFP	2, 5
	Support System (Support System Critical Design Review (SS-CDR))	NFP	N/A	To Be Determined	N/A	2, 5
Notes						
1	The achieved dates for the SRR, SDR and PDR are based on the dates that the associated Head Contract Key Milestones were achieved. Achievement of SRR and Mission System SDR (MS-SDR) were September 2019 and May 2022 respectively. Head Contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MS-SDR, primarily as a result of design delays experienced in the UK Type 26 Program, resulted in delays to subsequent design reviews. The MS-SDR included an element that was focused on the Land Based Test Site (Development and Sustainment) (LBTS (D&S)).					
3	In Quarter 3, 2021, the conduct of the SS-SDR exit event was deferred to October 2022, by mutual agreement between Defence and BAE Systems Maritime Australia. The delay enabled the Integrated Logistics Support artefacts to be further matured, thus significantly increasing the likelihood of achieving an optimal outcome from the design review process.					
4	The PDR exit event was conducted in July 2023. The review focused on setting the Allocated Baseline (for the design of the Batch One ships and the LBTS (D&S)). It also examined options to control the accumulation of risk as detailed design progressed towards the Batch One construction stage.					
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only. Defence and BAE Systems Maritime Australia are in the process of re-baselining the schedule for the D&P scope beyond the PDR event. The D&P scope schedule re-baseline activity was completed in August 2022 in advance of the IBR2 conducted in November 2022. BAE Systems Maritime Australia formally proposed the dates listed in the table for SS-CDR and F-CDR in November 2022, with a date for SS-CDR to be proposed once the Contract Change Proposal for SS functional baseline has been agreed.					
6	The MS-CDR was removed from the Head Contract during this reporting period.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One construction commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	NFP	NFP	NFP	NFP	3
Notes						
1	In June 2021 the Government approved the deferral of the Ship One construction commencement from December 2022 to no later than June 2024.					
2	Ship One construction commenced in June 2024.					
3	These dates were approved by Government in June 2024 and take effect commercially on 1 July 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1
Initial Operational Capability (IOC)	NFP	NFP	NFP	2
Final Materiel Release (FMR)	TBA	TBA	N/A	3
Final Operational Capability (FOC)	TBA	TBA	N/A	3
Notes				
1	BAE Systems Maritime Australia has a contracted Vessel Acceptance Date which is considered equivalent to IMR. These dates were approved by Government in June 2024.			
2	Operational Capability Milestones dates were approved by Government in June 2024. Dates associated with capability realisation are NFP.			
3	These milestones are expected to be defined by Government in the Batch 2 Second Pass Approval.			

**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**

Not Applicable	Green: As at 30 June 2024, the project did not have any materiel capability delivery contracted, with the Batch 1 construction scope taking effect on 1 July 2024. As at 30 June 2024, the project was approved for the D&P stage, inclusive of prototyping and procurement of LLTI for the Hunter Class Frigate. Capability requirements were approved by Government in June 2024 and will be reported from FY2024-25.
Not Applicable	Amber: As described in Section 5, the project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached.
Not Applicable	Red: In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, Government committed to the build of six Hunter Class Frigates of the same configuration in two batches of three. This is an update from the previous Government's commitment to build nine Hunter Class Frigates in three batches of three. Government has approved the build for the first three frigates and the project will return to Government for approval of the subsequent three frigates later in the decade.

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)	Commonwealth signature of the Supplies Acceptance Certificate for Ship 1. Forecast dates for IMR are NFP.	Not yet achieved
Initial Operational Capability (IOC)	Forecast dates for IOC are NFP.	Not yet achieved
Final Materiel Release (FMR)	Note 1	Not yet achieved
Final Operational Capability (FOC)	Note 1	Not yet achieved

Notes

1 FMR and FOC will not be set until after Government approval for Batch 2.

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	There is a risk that Hunter Class Frigate Batch 1 design, presented at Batch 1 submission, does not provide a sustainable design due to restrictions on margins, platform limitations, design uncertainty, and Reference Ship Design intent, resulting in a compromised capability,	The project is tracking naval architecture limits and design margins closely through head contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process.

2	There is a risk, caused by design delays and accumulated technical debt, that the Hunter Class Frigate design is not sufficiently mature to maintain continuous, efficient production in Quarter 2, 2024. The result is schedule slippage, higher costs, lower quality and capability limitations.	Design maturity is being achieved via a staged release approach. The maturity of design zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule.
3	There is a risk, caused by the evolving Combat System design, that combat system integration into the ship is not sufficiently mature to support achievement of all expected capability requirements for Ship 1/ Batch 1, resulting in operating capability limitations as well as cost and schedule over runs.	The project, BAE Systems Maritime Australia, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the head contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan.
4	There is a risk, due to competition in the labour market, realised at Vessel Acceptance Date, the Future Navy Workforce is unable to raise, train and sustain sufficient Navy Workforce to support Royal Australian Navy capabilities and provide seaworthiness assurance.	The project, with Navy and BAE Systems Maritime Australia, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required.

5.2 Emergent Risks

Emergent Risks (risk not previously identified but has emerged during 2023–24)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.3 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note

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

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and 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 20 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. Government Furnished Material, data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various branches, divisions and System Program Office's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Program, Project & Product Management
DLR Lesson Type – Observation. A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Decision Support
DLR Lesson Type – Observation. A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in International Organisation for Standardisation Standard 9004:2018 is required to ensure continuous and sustained success, particularly within a project that is highly complex.	Decision Support

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2024

Unit	Name
Division	Major Surface Combatants and Combat Systems
Branch	Hunter Class Frigate

Project Data Summary Sheet¹

Project Number	SEA5000
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18 (D&P) Jun 24 (Construction of Ships 1-3)
Budget at 2nd Pass Approval	\$25,845.5m
Total Approved Budget (Current)	\$26,055.3m
2024-25 In-year Budget	\$1,365.6m
Complexity	ACAT I



SEA5000

Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 – Hunter Class Frigate (HCF) Design and Construction (the project) will deliver six HCF optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Tier 1 Surface Combatant capability.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. HCF will contribute to air and surface warfare defence, as well as serving their primary mission of anti-submarine warfare.

In 2018 the project was approved for the Design and Productionisation (D&P) stage, which included:

- Progressing detailed design.
- Prototyping works.
- Procurement of Long Lead Time Items (LLTI) for the first three ships.

The head contract is with ASC Shipbuilding Pty Ltd (known and reported as BAE Systems Maritime Australia Pty Ltd). The HCF are being constructed in Osborne, South Australia.

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the HCF project was directed to acquire six ships of the same configuration.

On 11 June 2024, the Government approved the project to transition from the D&P stage into the Construction stage for the first three ships, with additional funding approved to commence from Financial Year (FY) 2024-25. The Head Contract was amended on 20 June 2024 to include the Construction scope in the contract, with the new scope and amended commercial arrangements taking effect on 1 July 2024. A 'cut steel' event was held at Osborne, South Australia, on 21 June 2024 to initiate the transition to the Construction stage.

1.2 Current Status

Cost PerformanceIn-year

As at 30 June 2025, FY 2024-25 expenditure was \$1,366.4m against FY 2024-25 budget of \$1,365.6m. This \$800,000 or 0.06% overspend was a result of minor variances across the 140+ suppliers to the HCF project.

Project Financial Assurance Statement

As at 30 June 2025, SEA5000 has reviewed the project's 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, there is sufficient budget remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not spent contingency in FY 2024-25.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. This has enabled the design of the mission and support systems to proceed, together with mobilisation of BAE Systems Maritime Australia Pty Ltd to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

As reported in the 2022-23 Major Projects Report (MPR), the completion date (planned for November 2020, achieved on December 2022) for the Mission System (MS) System Definition Review (SDR) drove delays to subsequent design reviews. The project also experienced schedule delay due to a combination of factors, including COVID-19 impacts and immaturity of the United Kingdom's

¹Notice to reader

In the 2024 Integrated Investment Program SEA5000 Phase 1 was renamed to SEA5000. The remainder of this report will refer to the project as SEA5000.

(UK) Type 26 frigate design, which is the Reference Ship Design for the HCF.

In June 2021, the Government agreed to defer the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This enabled Defence and BAE Systems Maritime Australia Pty Ltd to address design maturity and develop a contractible offer for the first three ships. The extended prototyping period initially included the construction of four HCF Schedule Protection Blocks, in addition to the five Type 26 prototype blocks that were previously approved by Government in 2018. In November 2023, the Government approved an additional two Schedule Protection Blocks. The project is using the six Schedule Protection Blocks in construction of the first ship.

The project returned to Government in June 2024 for consideration of the Batch One construction proposal. The project received Second Pass approval for construction of the first three ships, with additional funding provided from FY 2024-25.

While there are significant risks and challenges, as would be expected for a project of this complexity, the project commenced construction of the first ship on 21 June 2024. Defence continues to work with BAE Systems Maritime Australia Pty Ltd to mitigate risks and manage issues. The project is on track to meet the Initial Materiel Release (IMR) and Initial Operational Capability (IOC) as scheduled.

In FY 2023-24 key activities achieved included completion of the Preliminary Design Review (PDR), Production Readiness Review (PRR), and the third Integrated Baseline Review (IBR3), as well as obtaining Government Second Pass approval for construction of the first three ships.

In FY 2024-25 key activities achieved included Cut Steel for Ship 1: placing contracts for major combat system elements including the CEA Technologies Pty Ltd Phased Array Radar (CEAFAR) and the Thales Towed Array Sonar; progression of prototyping activities; continued progress of the zonal design program; ramp up of the Construction stage; consolidation of the first two units; and induction of the first block into blast and paint.

In FY 2025-26 key activities planned are delivery of low voltage electrical switchboards into the yard; approval of the target cost estimate for Ship Two; progression of CEAFAR integration with the Aegis Combat Management System; installation of first combat system equipment in the Land Base Test Site (LBTS); and installation of propulsion motors into Ship One.

Materiel Capability/Scope Delivery Performance

In February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the Government committed to the construction of six HCF of the same configuration in two batches of three. This is an update from the previous Government's commitment to build nine HCF in three batches of three. The Government has approved the construction of the first three frigates and the delivery of the support system. The project will return to Government for approval of the subsequent three frigates later in this decade.

As at 30 June 2024, the scope of the head contract addressed the D&P stage, inclusive of prototyping and procurement of LLTI for the first three ships. Under the existing head contract D&P scope and budget, BAE Systems Maritime Australia Pty Ltd is also fabricating a 'proof of concept test rig' as a risk reduction measure for the fabrication of the mast.

As at 30 June 2025, BAE Systems Maritime Australia Pty Ltd has commenced construction of 35 of 78 units for Ship 1, placed sub-contracts for 73 LLTI supplies, progressed prototyping activities on five prototype blocks, and progressed the 'proof of concept test rig' in preparation for production masts for Ships 1 to 3. CEA Technologies Pty Ltd has delivered three Mobile Test Systems which have been shipped to the United States (US) for integration with the Aegis Combat System (ACS).

1.3 Project Context

Background

The project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan and updated in the 2024 Naval Shipbuilding and Sustainment Plan. As at 30 June 2025, the project is continuing to deliver the approved scope of the D&P stage and is progressing as planned in the Construction stage. The project will continue to progress through multiple Government decision-making points for subsequent project stages.

The project was initiated in June 2014 with an Initial Pass approved by Government to commence capability development activities. Key activities and announcements over subsequent years included:

- August 2015 Government announced bringing forward the Future Frigate program to replace the Anzac Class Frigates as part of a continuous onshore build program to commence in 2020.
- September 2015 Interim Pass approved by Government for CEA Technologies Pty Ltd Radar Development activities.
- November 2015 Interim Pass approved by Government to progress a Competitive Evaluation Process (CEP).
- April 2016 First Pass approval for SEA5000 Phase 1 to complete the CEP based on tenders received from three ship designers.
- October 2017 Government announced decision to select the ACS together with an Australian Interface developed by Saab Australia Pty Ltd as the Combat Management System solution for the Future Frigate.

June 2018 Government announced BAE Systems Maritime Australia Pty Ltd Global Combat Ship – Australia as the capability best suited to Defence needs. The frigates were classed as the Hunter Class Fast Frigate Guided.

March 2020, the HCF project was elevated to a Project of Interest, due to significant schedule, technical, workforce and cost challenges. February 2022, the project sought Interim Pass approval from Government to contract BAE Systems Maritime Australia Pty Ltd to construct four Schedule Protection Blocks in addition to the five Type 26 prototype blocks it was already contracted to construct under the D&P scope.

July 2023, a PDR was conducted. The focus of the review was setting the Allocated Baseline (for the design of the Batch One ships and the Land Base Test Site), and examining options to control the accumulation of risk as detailed design progressed towards the Construction stage. In line with the forecast in the 2022-23 MPR, the PDR Key Milestone was achieved on schedule in October 2023.

November 2023, the Government approved an additional two Schedule Protection Blocks. This approval was intended to mitigate the risks of the loss of shipyard workforce prior to a Government approval to enter into the Batch One Construction Contract in Quarter 2, 2024.

February 2024, following the Independent Analysis of the Navy's Surface Combatant Fleet, the HCF project was directed to acquire six ships of the same configuration.

June 2024, the project obtained Government Second Pass approval for construction of the first three ships. The project remains a

Project of Interest with a revised exit criteria aligned with Ship 1 Vessel Acceptance Date.			
Uniqueness SEA5000 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each stage requiring separate approvals by Government to ensure the project remains within cost constraints. While the principles of the One Defence Capability System will be applied to the project, due to the longevity, and staged nature of the project, a unique approach will be required to manage the six ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for ships 1 – 6 and their support system.			
Major Risks, Emergent Risks and Issues The project office is currently managing project delivery risks identified within Section 5.2 Emergent Risks, which broadly fall under a number of key areas being: • Finance. In-year funding constrains. • Combat System. Reference ship limitations. • Engineering. Margins remain challenged. • Combat Systems Workforce. Insufficient Suitably Qualified and Experienced Person (SQEP). The project office is currently managing project delivery issues identified within Section 5.3 Major Project Issues, which fall under key area being: • Commonwealth of Australia (CoA) Workforce. Insufficient SQEP. The following capability realisation risks within Section 5.1 Major Project Risks were transferred to Navy during FY 2024-25 and will be removed at the next MPR: • Ship design maturity. • Combat System Integration. • Operating capability delivered to Navy.			
Other Current Related Projects/Phases SEA1442 Maritime Communications Modernisation. This project is part of a multi-phased program for the enhancement of the RAN's maritime communications capability to upgrade communication systems, addressing obsolescence to improve communications management. SEA5011 Phase 1 – Modernisation of Maritime Electronic Warfare. This program will develop, deliver and sustain an integrated and networked Electromagnetic Manoeuvre Warfare capability through procurement of new, augmentation and improved capabilities for the RAN Fleet. SEA1397 Phase 5B – Nulka Missile Decoy Enhancements. This project is developing the Nulka Launch sub-system including integration of the Nulka system and upgrade of the systems. SEA4000 Phase 6 – Air Warfare Destroyer – Aegis Capability Upgrade. This project is accountable for the upgrade of the ACS from Baseline 8 to Baseline 9, as well as the insertion of a new Australian Combat Management System – replacing the Australian Tactical Interface with a Saab developed Australian Interface. AIR6500 Phase 1 – Integrated Air and Missile Defence Command and Control. This project will provide deployable sensors and operations centres with command and control systems that will act as the primary interface to multi-domain contributory capabilities.			

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Jun 14	Original Approved (Initial Pass Approval)	62.8	
Sep 15	Interim Pass Approval	52.6	1
Jan 16	Pre First Pass Approval	22.1	2
Apr 16	Government First Pass Approval	208.2	
Oct 17	Interim Pass Approval	55.5	3
Jun 18	Government Second Pass Approval (D&P)	5,782.7	
Aug 19	Real Variation – Transfer	3.3	5
Sep 22	Real Variation – Transfer	(9.8)	6
Mar 23	Real Variation – Transfer to DST05000 Phase 1	(12.5)	7
Jun 24	Government Second Pass Approval (Batch 1 Construction)	19,680.6	4
	Total at Second Pass Approval	25,845.5	
Jun 25	Exchange Variation	209.7	
Jun 25	Total Budget	26,055.3	
	Project Expenditure		

²Notice to reader

As per the JCPAA 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.

Prior to Jul 24	Contract Expenditure – BAE Systems Maritime Australia Pty Ltd	(2,302.5)	8
	Contract Expenditure – Foreign Military Sales (FMS) Case AT-P-LFZ	(225.5)	
	Contract Expenditure – FMS Case AT-P-GSC	(212.7)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(106.6)	
	Contract Expenditure – Odense Maritime Technology A/S	(42.9)	
	Other Contract Payments/Internal Expenses	(747.7)	
		(3,637.9)	
FY to Jun 25	Contract Expenditure – BAE Systems Maritime Australia Pty Ltd	(1,094.3)	
	Contract Expenditure – FMS Case AT-P-LFZ	(134.8)	
	Contract Expenditure – Thales Australia Ltd	(57.7)	
	Contract Expenditure – Saab Australia Pty Ltd 2	(38.0)	
	Contract Expenditure – CEA Technologies Pty Ltd 2	(13.7)	
	Other Contract Payments/Internal Expenses	(27.9)	
		(1,366.4)	
Jun 25	Total Expenditure	(5,004.3)	
Jun 25	Remaining Budget	21,051.0	

Notes

1	CEA Technologies Pty Ltd Radar Development Program.
2	Initiating the CEP for Future Frigates.
3	Conduct further combat system development activities and to secure critical support staff.
4	The project received Second Pass approval for construction of the first three ships.
5	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (formerly known as the Estate and Infrastructure Group) to address funding shortfall with the Naval Capability Infrastructure Sub-program.
6	Funding transfer between CASG and Navy to address funding shortfall due to Interim Arrangement.
7	Funding transfer between Naval Shipbuilding and Sustainment Group and Defence Science and Technology Group.
8	Other Contract Payments/Internal expenditure comprises of: Project and Commercial Support (\$335.7m) - which includes; Deloitte Touche Tohmatsu LLC (\$32.0m), Odense Maritime Technology A/S (\$12.9m). Technical Support (\$248.4m) - which includes; CEA Technologies Pty Ltd (\$50.4m) and SAAB Australia Pty Ltd 1 (\$39.4m). CEP Participants (\$122.5m) - which includes; BAE Systems Australia Ltd (\$56.6m), Navantia Australia Pty Ltd (\$36.2m) and Fincantieri S.p.A (\$29.7m). Thales Australia Pty Ltd. (\$29.5m) and SAAB Australia Pty Ltd 2(\$11.6m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	In-year Budget \$m	Explanation of Material Movements
744.9	1,356.2	1,365.6	Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statements (PAES): The project transitioned to the construction phase on 1 July 2024 with the commencement of construction of the first three ships. The variance reflects the increased budget to fund the construction phase. <u>PAES to In-year Budget:</u> The movement is due to foreign exchange.
Variance \$m	611.3	9.4	Total Variance (\$m): 620.7
Variance %	82.1	0.7	Total Variance (%): 83.3

2.2B In-year Budget/Expenditure Variance

In-year Budget \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		0.5	Australian Industry	This \$800,000 or 0.06% overspend was a result of minor variances across the 140+ suppliers to the HCF project.
		0.3	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
1,365.6	1,366.4	0.8	Total Variance	
		0.1	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 25 \$m			
US Government FMS Case AT-P-GSC	Jan 16	5.5	261.5	Reimbursement (for FMS)	FMS	1, 7
BAE Systems Maritime Australia Pty Ltd	Dec 18	1,904.1	14,149.1	Variable	Standard Defence Contract	2, 7
US Government FMS Case AT-P-LFZ	Sep 20	626.6	1,471.0	Reimbursement (for FMS)	FMS	3, 7
CEA Technologies Pty Ltd 2	Sep 21	27.8	138.3	Firm or Fixed	Standard Defence Contract	4, 7
Saab Australia Pty Ltd 2	Jul 23	2.7	57.4	Firm or Fixed	Standard Defence Contract	5
Thales Australia Ltd	Sep 23	66.3	398.1	Firm or Fixed	Standard Defence Contract	6, 7, 9
CEA Technologies Pty Ltd 4	Oct 24	938.6	932.1	Firm or Fixed	Standard Defence Contract	8
Notes						
1	US Government Initial Letter of Offer and Acceptance (LOA) was for SEA5000 Feasibility and Technical Integration Study. Contract value and scope increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAAR /Cooperative Engagement Capability and integration of CEAFAAR into the ACS. Contract value and scope was further increased for acquisition of LLTI for Development Sites.					
2	BAE Systems Maritime Australia Pty Ltd Major Contract changes during the reporting period FY 2024-25 was the addition of the Batch 1 construction scope.					
3	Initial LOA was for the acquisition of Australian Surface Combatants ACS long lead items. Contract value and scope has been increased to include additional major weapons system equipment and services for three shipsets.					
4	The development and testing of new interface between Aegis and CEAFAAR systems.					
5	Strategic Management System Services under the Australian Combat Management System Enterprise Partnering Agreement for Design and Engineering Services for the Australian Combat System Interface with ACS, scope has grown from initial planning to include design and delivery services for Hunter.					
6	Towed Array Sonar LLTI and three shipsets.					
7	Contract value as at 30 June 2025 is based on actual expenditure to 30 June 2025 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
8	Provision of three Phased Array Radars and related services for three shipsets.					
9	Date amended to correct contract signature date.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 25		
US Government FMS Case AT-P-GSC	N/A	N/A	Feasibility and Integration studies	-
BAE Systems Maritime Australia Pty Ltd	N/A	N/A	D&P for HCF.	-
US Government FMS Case AT-P-LFZ	3	3	Three shipsets of ACS long lead items.	-
CEA Technologies Pty Ltd 2	N/A	N/A	Development and testing of new interface between Aegis and CEAFAAR systems.	-
Saab Australia Pty Ltd 2	N/A	N/A	Design and Engineering Services for the Australian Combat System Interface with ACS.	-
Thales Australia Ltd	3	3	Towed Array Sonar LLTI and three shipsets.	-
Major equipment accepted and quantities to 30 Jun 25				
N/A				
Notes				
N/A N/A				

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) Plans based on opportunities to maximise internationally competitive Australian industry involvement which is captured in CEA Technologies Pty Ltd, BAE Systems Maritime Australia Pty Ltd, Saab Australia Pty Ltd and Thales Australia Ltd AIC Plans in support of their program and project management, systems integration, data management, business intelligence support and assurance activities.
The project has no contracted AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website.

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 Review (SRR)	MS and Support System (SS)	Sep 19	N/A	Sep 19	0	1
System Definition Review (SDR)	Mission System	Nov 20	Apr 22	May 22	18	1, 2
	Support System	Nov 20	Mar 23	Dec 22	25	1, 2, 3
Preliminary Design Review (PDR)	Mission System	N/A	Oct 23	Oct 23	N/A	1, 2, 4
Critical Design Review (CDR)	Mission System CDR	Nov 22	N/A	N/A	N/A	6
	Mission System (Final Critical Design Review)	Jun 24	NFP	NFP	NFP	2, 5
	Support System (Support System Critical Design Review)	Apr 25	NFP	NFP	NFP	2, 5
Notes						
1	The achieved dates for the SRR, SDR and PDR are based on the dates that the associated Head Contract Key Milestones were achieved. Achievement of SRR and Mission System SDR (MS-SDR) were September 2019 and May 2022 respectively. Head Contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MS-SDR, primarily as a result of design delays experienced in the UK Type 26 Program, resulted in delays to subsequent design reviews. The MS-SDR included an element that was focused on the LBTS (Development and Sustainment) (LBTS (D&S)).					
3	In Quarter 3, 2021, the conduct of the SS-SDR exit event was deferred to October 2022, by mutual agreement between Defence and BAE Systems Maritime Australia Pty Ltd. The delay enabled the Integrated Logistics Support artefacts to be further matured, thus significantly increasing the likelihood of achieving an optimal outcome from the design review process.					
4	The PDR exit event was conducted in July 2023. The review focused on setting the Allocated Baseline (for the design of the Batch One ships and the LBTS (D&S)). It also examined options to control the accumulation of risk as detailed design progressed towards the Batch One construction stage.					
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only.					
6	The MS-CDR was removed from the Head Contract during FY 2023-24 reporting period.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One construction commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	NFP	NFP	NFP	NFP	3
	Ship Two	NFP	NFP	NFP	NFP	-
	Ship Three	NFP	NFP	NFP	NFP	-
Notes						
1	In June 2021 the Government approved the deferral of the Ship One construction commencement from December 2022 to no later than June 2024.					
2	Ship One construction commenced in June 2024.					
3	These dates were approved by Government in June 2024 and took effect commercially on 1 July 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Progress Towards Materiel Release and Operational Capability Milestones				
Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1
Initial Operational Capability (IOC)	NFP	NFP	NFP	2
Final Materiel Release (FMR)	TBD	TBD	N/A	3
Final Operational Capability (FOC)	TBD	TBD	N/A	3
Notes				
1	BAE Systems Maritime Australia Pty Ltd has a contracted Vessel Acceptance Date which is considered equivalent to IMR. These dates were approved by Government in June 2024.			
2	Operational Capability Milestones dates were approved by Government in June 2024. Dates associated with capability realisation are NFP.			
3	These milestones are expected to be defined by Government in the Batch 2 (ships 4-6) Second Pass Approval.			
Schedule Status at 30 June 2025 Dates associated with capability realisation are NFP				



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: As at 30 June 2025, the project expects to meet the materiel capability requirements as expressed in the Materiel Acquisition Agreement.
	Amber: N/A
	Red: N/A
Note This Traffic Light Diagram represents Defence's expected capability delivery.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	CoA signature of the Supplies Acceptance Certificate for Ship 1. Forecast dates for IMR are NFP.	Not yet achieved
Initial Operational Capability (IOC)	HCF Ship 1 delivered and Operational Test and Evaluation completed by Navy. Forecast dates for IOC are NFP.	Not yet achieved
Final Materiel Release (FMR)	Note 1	Not yet achieved
Final Operational Capability (FOC)	Note 1	Not yet achieved
Notes		
1	FMR and FOC will not be set until after Government approval for Batch 2 (ships 4-6).	

Section 5 – Major Risks, Emergent Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that HCF Batch 1 design, presented at Batch 1 submission, does not provide a sustainable design due to restrictions on margins, platform limitations, design uncertainty, and Reference Ship Design intent, resulting in a compromised capability.	The project is tracking naval architecture limits and design margins closely through head contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process. Per Note below, this risk was transferred to Navy during FY 2024-25 and will be removed from next year's MPR.
2	There is a risk, caused by design delays and accumulated technical debt that the HCF design is not sufficiently mature to maintain continuous, efficient production in Quarter 2, 2024. The result is schedule slippage and higher costs.	Design maturity is being achieved via a staged release approach. The maturity of design zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule. Per Note below, this risk was transferred to Navy during FY 2024-25 and will be removed from next year's MPR.

3	There is a risk, caused by the evolving Combat System design, that combat system integration into the ship is not sufficiently mature.	The project, BAE Systems Maritime Australia Pty Ltd, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the head contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan. Per Note below, this risk was transferred to Navy during FY 2024-25 and will be removed from next year's MPR.
4	There is a risk, due to competition in the labour market, realised at Vessel Acceptance Date, the Future Navy Workforce is unable to raise, train and sustain sufficient Navy Workforce to support RAN Navy capabilities and provide seaworthiness assurance.	The project, with Navy and BAE Systems Maritime Australia Pty Ltd, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required. Per Note below, this risk was transferred to Navy during FY 2024-25 and will be removed from next year's MPR.
Note Risks previously reported in 5.1 in prior Project Data Summary Sheet (PDSS) were a combination of strategic and tactical capability realisation and project delivery risks. Following Government approval for Batch 1, a comprehensive risk review was undertaken by the HCF Project Management Office. This review examined risks in the context of both the D&P and Construction phases. As a result of the review, all capability related risks have been transferred to the Navy Sponsor for management. Now that the Project has been approved to enter the Construction Phase, the risk reporting within the PDSS now reflects only those technical and programmatic risks facing project delivery.		

5.2 Emergent Risks

Emergent Risks (risk not previously identified, or has increased in rating. Which have emerged during 2024–25)		
Ref#	Description	Remedial Action
1	There is a risk, driven by in-year funding constraints within the Integrated Investment Program (IIP) that may result in inability to deliver the Program on schedule.	This risk is being treated through regular engagements with industry and key stakeholders.
2	There is a risk that the integration of future combat system elements into the HCF will be constrained due to reference ship design limitations.	The entire ship design is reviewed regularly through technical forums and workshops with all relevant industry and Defence stakeholders.
3	There is a risk that the final maturation of the HCF design consumes allocated margins resulting in design rework and pressure on production to achieve the build schedule.	The design is complex, complicated and physically densely packed, requiring constant review of the critical design margins. This is achieved through technical forums and workshops with all relevant industry and Defence stakeholders.
4	There is a risk that there will be insufficient skilled personnel to design and integrate the combat system.	The project works to actively recruit and train skilled workers in Combat Systems Integration across both Industry and Defence.

5.3 Major Project Issues

Ref#	Description	Remedial Action
1	Availability of a skilled, qualified, and experienced workforce within the CoA to conduct assurance of the design construction of the HCF.	The project works to actively recruit, train and retain a skilled, qualified and experienced workforce in accordance with the strategies outlined in the Defence Workforce Plan.

Section 6 – Lessons

6.1 Key Lessons

In line with Defence Instructions 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. The project has captured 20 lessons. The three project strategic lessons and three project level lessons (non-strategic) are listed below.	
Description	Categories of Systemic Lessons
Strategic Lesson Type – Observation. Government Furnished Material, data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various branches, divisions and System Program Office's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Program, Project & Product Management
Strategic Lesson Type – Observation. A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Decision Support
Strategic Lesson Type – Observation. A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in International Organisation for Standardisation Standard 9004:2018 is required to ensure continuous and sustained success, particularly within a project that is highly complex.	Decision Support

Project Level Lessons (non-strategic) Description	Categories of Systemic Lessons
Project level lesson – A document suite for each IBR, which details the roles and responsibilities of stakeholders and a timeline. A kick-off meeting with all key stakeholders to review the requirements of IBR prior to commencement. This will enable the program to manage conflicting priorities and business as usual.	Program, Project & Product Management
Project level lesson – Early commencement of planning for IBR to understand key stakeholders required for consultation and development of activities and timelines.	Program, Project & Product Management
Project level lesson – Conduct debrief sessions post reviews to enable collaboration and identification of potential Corrective Action Requests for discussion.	Program, Project & Product Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2025

Unit	Name
Division	Major Surface Combatants and Combat Systems Division
Branch	Hunter Class Frigate Branch