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Australian Government
Department of Defence

Capability Acquisition and Sustainment
Quarterly Performance Report

MARCH 2019

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Capability Acquisition and Sustainment
Quarterly Performance Report

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Foreword

I am pleased to present the latest Quarterly Performance Report for the period ending 31 March 2019. This report describes the performance of major capability acquisition and sustainment activities (Section 1).

The report focuses on the Projects and Products of Concern (Section 2) and the Projects and Products of Interest (Section 3).

Traffic light dashboards indicate Key Acquisition Project[1] performance against cost, schedule and capability metrics, and the Top 30 sustainment products report performance against cost and availability metrics.

Purpose and Scope

The Quarterly Performance Report provides senior stakeholders within Government and the Department of Defence with a performance overview of capability delivery to the Australian Defence Force. Risks, issues and remediation actions taken to improve delivery outcomes are highlighted so stakeholders have transparency across acquisition and sustainment activities.

The Quarterly Performance Report is the output of an assessment of the 103 post-second pass major capability acquisition projects reporting as at 31 March 2019, and 112 sustainment products:

- The 41 'Key Acquisition Projects' which represent 71% of the total Major Capital Equipment acquisition program approved budget.
- The 'Top 30' Sustainment Products which represent 71% of the sustainment program budget.

Significant events during the period to 31 March 2019

1	**Project Number**: SEA01439PH4A
	Project Name: Collins Class Submarine Replacement Combat System
	Achievement: Project closure on 6 March 2019
	Capability impact/outcome: The project achieved technical and financial completion S33 [redacted]

2	**Project Number**: AIR07000PH2B
	Project Name: Maritime Patrol and Response Aircraft
	Achievement: S33(a)(i) [redacted]
	Capability impact/outcome: S33(a)(i) [redacted]

[1] Key Acquisition Projects are a list combined of the Top 30 projects in the Portfolio Budget Statements and projects reporting in the Australian National Audit Office Major Projects Report.

3	**Project Number**: AIR5438 Phase 1A
	Project Name: Lead-In Fighter Capability Assurance Program
	Achievement: On 7 March 2019 the last modified Hawk aircraft rolled out of the BAE Australia's Williamtown facility marking the achievement of Final Operational Capability. The project delivered an upgraded Lead-In Fighter Training Capability through delivery of 33 modified Hawk aircraft, three new full-mission Hawk simulators, new support tools, debriefing systems, training and courseware.
	Capability impact/outcome: The key capability outcome is an upgraded fleet of BAE Systems Lead-In Fighter Hawk aircraft, coupled with three modern full-mission simulators (with development support from CAE Incorporated) which provides an enhanced training capability for fast jet aircrew and air combat officers. The upgrade underpins air combat force generation capability through building better trainee fighter aircrew to meet fifth generation capability. Additional simulated on-board systems provide flexibility to adapt Lead-In Fighter training to the future needs of operational conversion courses to support multiple platforms like the F-35A, Super Hornet and Growler.

Australian National Audit Office (ANAO) Performance Audits

1. Defence's Management of the Projects of Concern

The ANAO tabled its performance audit report on 'Defence's Management of the Projects of Concern' in parliament on 26 March 2019. The two recommendations were accepted by Defence.

2. Defence's Quarterly Performance Report on acquisition and sustainment

The ANAO delivered the Report Preparation Paper to Defence on 10 April 2019. The objective of this audit is to examine the effectiveness of Defence's Quarterly Performance Report as a mechanism to inform senior stakeholders about risks and issues in the delivery of capability to the Australian Defence Force.

Continuous Improvement

This report now includes a performance overview page, highlighting changes since the last report. There is an update on significant events that have occurred between the end of the reporting period and prior to publication to ensure information is more timely.

Detailed quarterly performance summaries on the Key Acquisition Projects and Top 30 sustainment products are available in a supplementary reference. This is circulated to senior stakeholders within the department, and are available on request.

Feedback is sought from all stakeholders on what further value the Quarterly Performance Report could provide to them.

The next Quarterly Performance Report for the period ending 30 June 2019 will be provided in August 2019.

S22 [redacted]

A.P. (Tony) Fraser

Deputy Secretary

Capability Acquisition and Sustainment Group

17th May 2019

Section 1- Performance Overview

Projects and Products of Concern (Section 2)

The list of Projects of Concern remains steady at two projects of 103 post-second pass major capability projects reporting. It is expected that the s33(a)(i), will be considered in the near term for entry onto the Projects of Concern list.

Progress toward remediation

S33(a)(i)

S33(a)(i), s47G

Significant events since the end of the reporting period.

s33(a)(i), s47G

Projects and Products of Interest (Section 3)

Projects and Products of Interest are identified after analysis of all acquisition projects and sustainment products. Where quantitative performance consistently indicates issues, senior stakeholders undertake a qualitative assessment of the data. Where issues require heightened senior management attention, consideration is given to entry to the Project or Products of Interest list. This ensures risks and issues benefit from more senior oversight and management.

An Independent Assurance Review Board may make a recommendation that a Project or Product be categorised 'of Interest'. These outcomes will be considered and endorsed by the relevant senior Defence stakeholders responsible for the projects and products before listing. This quarter, there were 10 Independent Assurance Reviews conducted considering performance of eight post-second pass projects and two sustainment products. The following two Key Acquisition Projects[1] completed an Independent Assurance Review during the reporting period:

- Indian Ocean Region UHF SATCOM (JNT02008PH5A), and
- Civil Military Air Traffic Management System (AIR05431PH3).

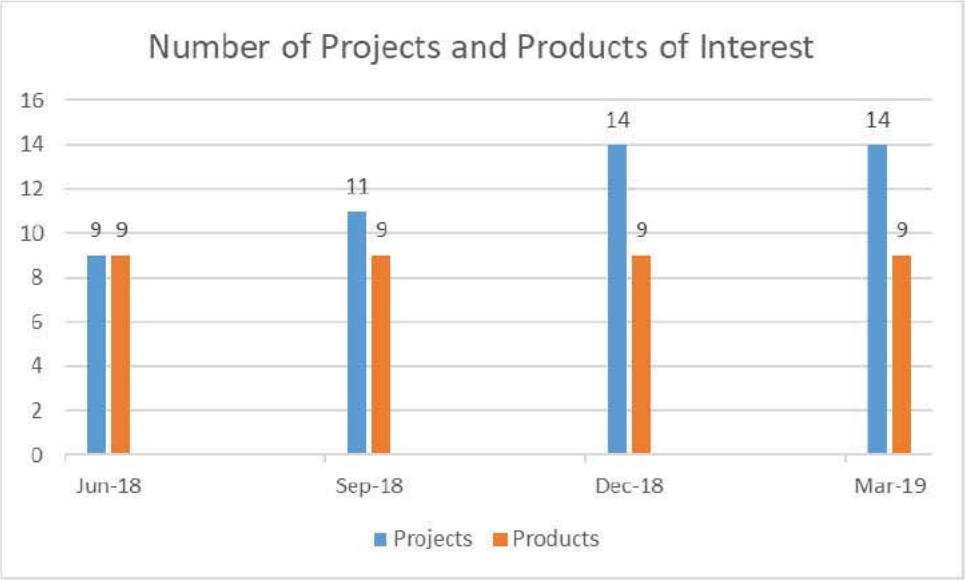
There was one new recommendation for a Program of Interest after review of Indian Ocean Region UHF SATCOM (JNT02008PH5A), one phase of Defence Satellite Communications Capability program. After senior consideration, including the

[1] Key Acquisition Projects are a list combined of the Top 30 projects in the Portfolio Budget Statements and projects reporting in the Australian National Audit Office Major Projects Report.

Investment Committee consideration of the Defence Satellite Communications Capability (JNT02008), this is now a Program of Interest (Section 3.1.8).

The number of Projects and Products of Interest has remained steady since last quarter, noting the change to report on the Defence Satellite Communications Capability (JNT02008 program), replacing Indian Ocean Region UHF SATCOM (JNT02008PH5A) (see Figure 1 below).

Figure1. Number of Projects and Products of Interest over the last 12 months



Significant events since the end of the reporting period.

The Joint Strike Fighter Program (JNT06000PH2,4&6) welcomed two more aircraft, numbers 11 and 12, on 8 April 2019, bringing a total of four Joint Strike Fighter aircraft based in Australia.

The Rapid Environmental Assessment project (JNT01770PH1) achieved Initial Operational Capability on 30 April 2019, defined as the ability to operationally deploy one Navy Deployable Geospatial Support Team equipped with one Fly-Away Survey Kit System and one Mobile Meteorological and Oceanographic Team with an equipment set optimised for Humanitarian and Disaster Relief.

The ANZAC Air Search Radar Replacement project (SEA01448PH4B) held an Independent Assurance Review on 17 April 2019. s47E(d), s47G, s33(a)(i) [redacted]

Acquisition Overview of the Key Acquisition Projects

The key performance metrics in acquisition are capability, schedule and cost.

Detailed project performance summaries are available in the supplementary reference to the Quarterly Performance Report.

Capability

S33(a)(i) [redacted]

Table 1. Improved performance since last report

Project	Last Quarter ➡	This Quarter
S33(a)(i)	[redacted]	

Table 2. Declining Performance since last report

Project	Last Quarter ➡	This Quarter
S33(a)(i)	[redacted]	

Schedule

Performance against schedule is the main area of concern across the acquisition program. Schedule outcomes are largely driven by Defence's commitment to deliver on the full scope, not compromise on the quality of the capability outcome and adhere to budget.

All Key Acquisition Projects forecasting schedule delays to overdue or upcoming milestones scheduled within the next 12 months are already reported as a Project of Concern or Project of Interest.

Cost

Cost performance is on target with the exception of one Amber traffic light for project Battlefield Command Systems (LND00075PH4).

Some projects report the possible need to access contingency to complete activities. A new contingency policy has been circulated for out-of-session clearance by Investment Committee members.

Sustainment Overview of the Top 30 Sustainment Products

The key performance metrics are availability and cost.

Of the 112 sustainment products managed by CAS Group, no products are Products of Concern, s33(a)(i), s47E(d) [redacted]. Nine products warrant heightened senior management oversight and have been identified as Products of Interest (Section 3b).

The key risk themes identified are workforce availability in Defence and Industry, the availability of platforms to conduct maintenance, as well as a range of funding pressures.

Detailed product performance summaries are available in the supplementary reference to the Quarterly Performance Report.

Availability

12 Top 30 products improved in availability performance when compared to the previous quarter. No Top 30 products declined in availability performance this quarter. However, there was a decline in a Sustainment Product of Interest S3 [redacted]

Table 1. Improved performance since last report

Product	Last Quarter ➡	This Quarter
S33(a)(i) [redacted]		

S33(a)(i)

[redacted]

Table 2. Declining Performance since last report

Product	Last Quarter	➡	This Quarter
S33(a)(i) [redacted]			

Cost

The Top 30 sustainment products reported as part of the 2019-20 Portfolio Budget Statements are consistent with the sustainment products that have been reported in the QPR. Since the 2019-20 Portfolio Budget Statements, Capability Managers have undertaken sustainment/fleet screening reviews for 2018-19 and the 2019-20 forward estimates period, to review capability priorities and ensure that a balanced sustainment budget is achieved. As a result, the Top 30 sustainment products budgets have been adjusted post 31 March 2019 to reflect Capability Managers February/March fleet screening outcomes.

Industry

The Australian industry workforce, as with the Defence workforce, remains a key risk for a number of acquisition and sustainment activities. The ability to draw upon limited pools of particular skill sets impacts the level of resourcing that can be applied.

Ongoing prioritisation of work by the Capability Managers through various mechanisms is the key mitigation strategy for this risk. The Systems Program Office reform being implemented as an outcome of the First Principles Review will assist with embedding efficiencies. The Force Structure Plan is also considering how to mitigate this risk.

Governance

Major capability acquisition and sustainment activities and their performance metrics are agreed upon between Capability Managers and the CAS Group, and are subsequently documented in Materiel Acquisition Agreements and Materiel Sustainment Agreement Product Schedules. Quality reporting relies on timely execution of these agreements and annual review to ensure key performance measures remain fit for purpose.

A number of projects are under enforced reporting on Initial Operational Capability and Final Operational Capability milestones as they have not executed a Materiel Acquisition Agreement since Second Pass approval. Three projects in this Quarterly Performance Report are under this arrangement: Offshore Patrol Vessels (SEA01180PH1), Satellite Ground Station (JNT02008PH5B2) and Chemical, Biological, Radiological and Nuclear Defence (JNT02110PH1B).

Two Key Acquisition Projects are reporting performance but do not yet report on operational capability milestones due to their early stage in the Capability Life Cycle. These are Future Frigates (SEA05000PH1) and Future Submarines (SEA01000PH1B).

A review is in progress to align the performance metrics agreed in the Materiel Sustainment Agreement Product Schedules against the metrics reported in Sustainment Performance Management System. A significant number of inconsistencies have been identified and this is being remediated.

S33(a)(i) [redacted]

Section 1.1 - Key Acquisition Project Dashboard

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
AIR CAPABILITIES									
Aerospace Systems									
1	AIR05077PH3	Airborne Early Warning and Control System	2000	ACAT III	68	S33(a)(i)	Red	Red	Green
2	**AIR05077PH5A**	**AEW&C Interoperability Compliance Upgrade (Project of Interest)**	2013	ACAT II	46		Red	Red	Green
3	AIR05349PH3	Growler Airborne Electronic Attack Capability	2012	ACAT II	58		Red	Green	Green
4	AIR07000PH2	P-8A Maritime Patrol and Response Aircraft (MPRA) System	2014	ACAT II	61		Red	Green	Green
5	AIR07403PH3	Additional KC-30A Multi-Role Tanker Transport (MRTT)	2015	ACAT III	60		Green	Green	Green
6	AIR08000PH2	Battlefield Airlift - Caribou Replacement	2012	ACAT II	53		Green	Green	Green
Helicopter Systems									
7	**AIR05428PH1**	**Pilot Training System (Project of Interest)**	2015	ACAT II	52		Red	Green	Green
8	**AIR09000PH2, 4 & 6**	**Multi-Role Helicopter (MRH) 90 (Project of Concern)**	2004	ACAT I	56		Red	Red	Green
9	AIR09000PH7	Helicopter Aircrew Training System	2014	ACAT II	69		Green	Green	Green
10	AIR09000PH8	Future Naval Aviation Combat System (MH-60R) Seahawk Romeo	2011	ACAT II	61		Green	Green	Green
Joint Strike Fighter									
11	**AIR06000PH2AB**	**New Air Combat Capability (Project of Interest)**	**2009**	ACAT I	51		Amber	Green	Green

Section 1.1 - Key Acquisition Project Dashboard

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
JOINT CAPABILITIES									
Joint Systems									
12	AIR02025PH6	Jindalee Operational Radar Network (JORN)	2017	ACAT II	42	S33(a)(i)	Green	Green	Green
13	**AIR05431PH2**	**Fixed Defence Air Traffic Control Surveillance Sensors (Project of Interest)**	2014	ACAT III	54		Red	Green	Green
14	**AIR05431PH3**	**Civil Military Air Traffic Management System (CMATS) (Project of Interest)**	2014	ACAT I	41		Green	Green	Green
15	**JNT00090PH1**	**ADF Identification Friend or Foe and Automatic Dependant Surveillance - Broadcast (Project of Interest)**	2016	ACAT II	50		Red	Red	Green
16	**JNT02008PH5A**	**UHF SATCOM (Project of Interest)**	2009	ACAT II	48		Green	Red	Green
17	**JNT02008PH5B2**	**Satellite Ground Station - East and Wideband SATCOM Network Management (Project of Interest)**	2017	ACAT III	52		Red	Green	Green
18	JNT02072PH2A	Battlespace Communications Systems (Land)	2011	ACAT III	68		Green	Red	Green
19	JNT02072PH2B	Battlespace Communications System (Land) [BCS(L)]	2015	ACAT I	53		Green	Red	Green
20	LND00075PH4	Battlefield Command Systems	2013	ACAT II	68		Green	Green	Amber
21	**LND0200PH2A**	**Battle Command Systems (Tranche 2) (Project of Interest)**	2017	ACAT I	44		Red	Red	Green
22	SEA01442PH4	Maritime Communications Modernisation	2013	ACAT II	50		Red	Red	Green
LAND CAPABILITIES									
Land Systems									
23	JNT02110PH1B	Chemical, Biological, Radiological and Nuclear Defence	2016	ACAT III	45		Green	Green	Green
24	LND00053PH1BR	Night Fighting Equipment Replacement	2016	ACAT III	63		Green	Green	Green
25	LND00121PH3B	Medium and Heavy Capability	2007	ACAT I	55		Green	Green	Green
26	**LND00121PH4**	**Protected Mobility Vehicle - Light (PMV-L) (Project of Interest)**	2015	ACAT I	40		Red	Green	Green
27	LND00125PH3C	Soldier Enhancement Version 2 - Lethality	2015	ACAT III	62		Green	Green	Green

Section 1.1 - Key Acquisition Project Dashboard

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
MARITIME CAPABILITIES									
Maritime Systems						S33(a)(i)			
28	SEA01448PH2A	Anzac Class Anti-Ship Missile Defence	2003	ACAT II	66		Red	Red	Green
29	SEA01448PH2B	Anzac Class Anti-Ship Missile Defence Upgrade	2009	ACAT I	66		Red	Red	Green
30	JNT02048PH3	Amphibious Watercraft Replacement	2011	ACAT III	67		Red	Red	Green
31	**JNT02048PH4A**	**Amphibious Ships (Project of Interest)**	2007	ACAT I	62		Red	Red	Green
Ships									
32	SEA01180PH1	Offshore Patrol Vessel	2017	ACAT II	44		Red	Amber	Green
33	SEA01448PH4B	ANZAC Air Search Radar Replacement	2017	ACAT II	50		Green	Green	Green
34	**SEA01654PH3**	**Maritime Operational Support Capability (Project of Interest)**	2016	ACAT II	50		Green	Green	Green
35	SEA03036PH1	Pacific Patrol Boat Replacement	2016	ACAT II	60		Red	Green	Green
36	SEA04000PH3	Air Warfare Destroyer Program	2007	ACAT I	61		Green	Green	Green
37	SEA05000PH1	Future Frigate - Design and Construction	2018	ACAT I	31		Blank	Blank	Green
Submarines									
38	SEA01000PH1B	Future Submarine Design and Construction - Program Design and Mobilisation stage	2016	ACAT I	0		Blank	Blank	Green
39	SEA01429PH2	Replacement Heavyweight Torpedo	2001	ACAT III	61		Green	Red	Green
40	SEA01439PH3	Collins Submarine Platform Systems Improvements (Collins Reliability and Sustainability)	2000	ACAT III	60		Green	Green	Green
41	SEA01439PH4A	Collins Class Submarine Replacement Combat System	2002	ACAT IV	64		Green	Red	Green

Section 1.2 - Top 30 Sustainment Product Dashboard

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
AIR CAPABILITIES								
Aerospace Systems								
1	CAF02	F/A-18A/B Classic Hornet	MSCAT II	1985	2022	S33(a)(i)	Amber	Red
2	CAF03	Lead-In Fighter Hawk Weapon System	MSCAT III	2000	2025		Red	Amber
3	CAF04	AP-3C/P3C Orion Weapon System	MSCAT II	1978	2019		Red	Green
4	CAF06	C130J-30 Weapon System	MSCAT III	1999	2030		Amber	Green
5	CAF19	C-17 Heavy Air Lift Weapons System	MSCAT III	2006	2036		Red	Red
6	CAF20	E-7A Wedgetail Airborne Early Warning and Control system	MSCAT II	2009	2039		Green	Green
7	CAF21	F/A18F SuperHornet Weapon System	MSCAT II	2010	2030		Red	Amber
8	CAF22	KC-30A Weapon System	MSCAT II	2011	2031		Red	Green
9	CAF34	C-27J Battlefield Airlifter Sustainment	MSCAT III	-	2037		Red	Red
10	CAF35	P8 Poseidon	MSCAT II	2016	2051		Red	Red
Helicopter Systems								
11	**CA12**	**Armed Reconnaissance Helicopter Weapon System (Product of Interest)**	MSCAT II	2004	2034		Green	Amber
12	**CA48**	**Multi Role Helicopter (MRH90) (Product of Interest)**	MSCAT II	2007	2040		Green	Green
13	CN35	MH-60R Seahawk Romeo Weapon System	MSCAT II	2014	2048		Red	Amber

Section 1.2 - Top 30 Sustainment Product Dashboard

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
JOINT CAPABILITIES								
Joint Systems								
14	**CAF12**	**Air Traffic Management (Product of Interest)**	MSCAT II	1982	2023	S33(a)(i)	Red	Red
15	CAF13	Wide Area Surveillance (WAS)	MSCAT II	2003	2025		Red	Green
16	**CA59**	**Army Munitions & Guided Weapons (Product of Interest)**	MSCAT III	Multiple	Multiple		Red	Green
17a	CAF32	Explosive Ordnance Air Force Munitions	MSCAT III	Multiple	Multiple		Red	Red
17b	CAF33	Explosive Ordnance Guided Weapons	MSCAT III	Multiple	Multiple		Red	Green
18a	CN37	Navy Munitions	MSCAT III	Multiple	Multiple		Red	Green
18b	**CN38**	**Navy Guided Weapons (Product of Interest)**	MSCAT II	Multiple	Multiple		Red	Amber
LAND CAPABILITIES								
Land Systems								
19	CA19	Commercial Vehicles Fleet	MSCAT III	Multiple	2021		Amber	Green
20	CA39	ADF Clothing	MSCAT II	Multiple	2099		Red	Green
21	JHC01	Health Systems Fleet	MSCAT IIII	Multiple	Multiple		Red	Green

Section 1.2 - Top 30 Sustainment Product Dashboard

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
MARITIME CAPABILITIES								
Maritime Systems						S33(a)(i)		
22	CN01	Guided Missile Frigate	MSCAT II	1981	2019		Red	Green
23	CN02	Anzac-Class Frigate (FFH)	MSCAT II	1996	2032		Red	Green
24	**CN09**	**Armidale Class Patrol Boat (Product of Interest)**	MSCAT II	2005	2030		Green	Amber
25	CN14	Huon Class Mine Hunter Coastal	MSCAT II	1999	2022		Red	Green
26	**CN34***	**Canberra Class Landing Helicopter Dock (Product of Interest)**	MSCAT I	2014	2054		Red	Green
27	CN40	Hobart Class Destroyer (DDG)	MSCAT I	-	-		Red	Green
28	CN46	Sustainment of Hydrographic Capability	MSCAT III	Multiple	Multiple		Red	Green
29	CN49	Maritime Cross Platform	0	N/A	N/A		Red	Red
Submarines								
30	CN10	Collins Class Submarine	MSCAT I	1996	2030		Green	Green

* Likely to be considered for removal from the Projects of Interest list next quarter

Section 2 – Projects /Products of Concern

The Projects of Concern regime was established in 2008 and continues to be a successful management tool for recovering problem projects. This process allows the Ministers, the Department and Defence Industry to work together to establish a pragmatic remediation path, with the objective of returning the project to the usual management framework.

The process for determining whether a project or product should be added as a Project/Product of Concern generally begins when the Quarterly Performance Report highlights a Project or Product of interest in combination with Independent Assurance Review recommendations.

Entry to and exit from the Projects/Products of Concern list is decided by the Minister for Defence and the Minister for Defence Industry either at the recommendation of the Deputy Secretary CASG and the relevant Capability Manager, or at the Ministers' own instigation. The removal of projects and products are recommended based on either project remediation or project/contract cancellation.

The Department also provides a status update on all Projects/Products of Concern to the Senate Standing Committee on Foreign Affairs, Defence and Trade prior to each Senate Committee hearing. The update, which is approved by the Minister for Defence lists all current Projects/Products of Concern and detailed status report on each project. The Committee also receives a private briefing on all Projects/Products of Concern ahead of the Senate Committee hearing.

There are two Projects of Concern:

1. MRH90 Helicopters (AIR09000PH2,4&6), and
2. Deployable Defence Air Traffic Management and Control System's (AIR05431PH1).

2.1	PROJECT OF CONCERN REPORT	Listed: November 2011

AIR09000PH2, 4, and 6 – Multi-Role Helicopter (MRH) 90

Project scope

The project will provide 47 new Multi-Role Helicopters (MRH90) for the Army and Navy to replace the existing Sea King and Black Hawk fleets.

What went wrong?

s33(a)(i) [redacted]

Key Risks / Emerging Issues	Mitigation Strategy	Risk Rating
S33(a)(i) [redacted]		
The achievement of FMR has slipped S33(a)(i) [redacted]	S33(a)(i) [redacted]	**Medium**
S33(a)(i) [redacted]		
Achievement of the S33(a)(i) [redacted] **Capability** has been delayed beyond the 2019 Final Operational Capability milestone.	S33(a)(i) [redacted]	**Medium**
There is a chance that the MRH Program may not be able to retain sufficient levels of experienced and skilled workforce to achieve the required rate of acquisition deliverables leading to an impact on schedule and capability.	S33(a)(i) [redacted]	**Medium**

Implications of Project Failure

The MRH90 Helicopter is a multi-purpose military utility helicopter that will undertake battlefield lift operations, support domestic counter terrorism operations and facilitate the expansion of the Australian Defence Force's amphibious deployment and sustainment capability. As the aircraft replace in-service Army and recently retired Navy helicopters, delays to this program will have an impact on the sustainment of the existing helicopter fleet.

Path to Remediation

s33(a)(i), s47E(d), s47G [redacted]

Project Office Report

s33(a)(i), s47E(d), s47G [redacted]

Schedule Data					Cost Data	
Milestone	IOC - Army	IOC - Navy	FMR	FOC	**Total Budget**	$3,771m
Approved	05 Dec 2014	27 Feb 2015	Dec 2017	Jul 2019	**Spend to Date**	$3,168m
Forecast	Achieved	Achieved	Jun 2021	Dec 2021	**RCI/RCD?**	No

2.2	PROJECT OF CONCERN REPORT	Listed: August 2017

AIR05431PH1 – Deployable Defence Air Traffic Management and Control System

Project scope
To provide three deployable Defence Air Traffic Management and Control Systems.

What went wrong?
Initial Materiel Release is over 3 years late against the approved schedule. s47G [redacted]

Key Risks / Emerging Issues	Mitigation Strategy	Risk Rating
Indra Australia is over 3 years late to Initial Materiel Release. s47G [redacted]	s47E(d), s47G [redacted]	High

s33(a)(i), s47G [redacted]

Implications of Projects Failure

S33(a)(i) [redacted]

Path to Remediation

s33(a)(i), s47E(d), s47G [redacted]

Project Office Report

s33(a)(i), s47E(d), s47G [redacted]

Schedule Data					Cost Data	
Milestone	IMR	IOC	FMR	FOC	**Total Budget**	$95m
Approved	Dec 2017	Aug 2018	Jan 2019	Aug 2019	**Spend to Date**	$25m
Forecast	Mar 2021	Nov 2021	Jun 2021	Jan 2022	**RCI/RCD?**	No

Section 3.1 – Projects of Interest

Acquisition projects with issues and risks raised against schedule, cost, and /or capability performance that warrant heightened senior management attention become Projects of Interest.

Each Project of Interest reports on performance, risks and the pathway to remediation highlighting Industry and Defence management actions undertaken.

There are fourteen Projects of Interest, listed in order of ACAT rating.

No.	Project Number	Project Name	ACAT Rating	First reported as Project of Interest
3.1.1	JNT02048PH4A	Amphibious Ships	I	March 2017
3.1.2	AIR06000PH2AB	New Air Combat Capability	I	June 2017
3.1.3	AIR05431PH3	Civil Military Air Traffic Management System	I	June 2018
3.1.4	LND0200PH2	Battlefield Command System	I	September 2018
3.1.5	LND00121PH4	Protected Mobility Vehicle – Light	I	December 2018
3.1.6	AIR05428PH1	Pilot Training System	II	September 2017
3.1.7	JNT00090PH1	ADF Identification Friend or Foe and Automatic Dependant Surveillance - Broadcast	II	September 2016
3.1.8	JNT02008	Defence Satellite Communications Capability	II	March 2019[1]
3.1.9	AIR05077PH5A	Airborne Early Warning and Control Interoperability Compliance Upgrade	II	December 2018
3.1.10	SEA01654PH3[2]	Maritime Operational Support Capability	II	December 2018
3.1.11	JNT02097PH1B	Enhancements to Special Operations Capability	III	March 2017
3.1.12	JNT01770PH1	Rapid Environmental Assessment	III	March 2017
3.1.13	AIR05440PH1	C-130J Block Upgrade	III	September 2018
3.1.14	AIR05431PH2	Fixed Defence Air Traffic Control Surveillance Sensors	III	December 2018

[1] Note the Defence Satellite Communications Capability program replaces JNT02008PH5A which first reported as Project of Interest in March 2017.

[2] s47E(d) [redacted]

3.1.1	JNT02048PH4A Amphibious Ships

Project Description

JNT02048PH4A provides the Australian Defence Force with increased amphibious deployment and sustainment capability to support an enhanced deployed force.

Project Performance Overview

Slippage from original schedule: 37 months delay to Final Operational Capability	Approved budget: $3,092m	Spend to date: $2,835m

HMAS *Canberra* was delivered approximately eight months later than contracted and was commissioned on 28 November 2014. HMAS *Adelaide* was delivered approximately two months later than contracted and was commissioned on 4 December 2015. HMAS *Canberra* and HMAS *Adelaide* are in service with the Royal Australian Navy and home ported at Fleet Base East. The In-Service Support Contract is transitioning from BAE Systems Australia to Naval Ship Management (a joint venture between Babcock and UGL Engineering) with the majority of transition scheduled for completion by 1 July 2019.

The late delivery of the ships, a large number of outstanding requirements, defects & deficiencies, and an immature support system have impacted the overall program schedule. Significant propulsion & corrosion issues emerged in March 2017 and both ships were docked in June and October 2017 respectively to undertake urgent rectification work. S33(a)(i) [redacted] some underlying issues are inherent in the design and require redesign effort.

In April 2017, a Transition and Remediation Program was established to address the immediate defects, develop a plan for closure of all acquisition issues and fully transition the project to the in-service phase. The Landing Helicopter Dock 3-Star Program Steering Group in October 2018 agreed a Roadmap to attaining Final Materiel Release, encompassing both the Materiel and Integrated Logistic Support Remediation and re-scheduled Final Materiel Release from December 2018 to October 2019 and Final Operational Capability to December 2019.

Achievement of the operational milestones S33(a)(i) [redacted]

Risks

S33(a)(i) [redacted]

Cost: The total spend to date is 92% of the project cost and the original allocated contingency remains intact. Contingency may be required where commercial outcomes and/or existing funding is not sufficient to complete approved remediation effort.	**Green**

Remediation Strategy

s33(a)(i), s47E(d) [redacted]

3.1.2	AIR06000PH2A/B New Air Combat Capability

Project Description

The F-35A Joint Strike Fighter is the Australian Defence Force's first fifth-generation air combat capability. It is a highly advanced multi-role, supersonic, stealth fighter, which will meet Australia's requirements to defeat current and emerging threats.

The F-35A has advanced sensors and data fusion that allows it to gather more information and share it with other Air Force aircraft, Navy ships, and Army units faster than ever before. It will greatly enhance the situational awareness and combat effectiveness of the Australian Defence Force. In addition, the F-35A provides pilots with significantly higher levels of lethality and survivability in combat.

Australia has committed to 72 F-35A aircraft and associated support and enabling capabilities for three operational squadrons at RAAF Base Williamtown and RAAF Base Tindal, and a training squadron at RAAF Base Williamtown via AIR06000PH2A/B.

Project Performance Overview

Slippage from original schedule: Nil for IOC/FOC	Approved budget: $16,524m	Spend to date: $3,884m

The first F-35A aircraft commenced service in Australia in December 2018. As at 31 March 2019, Australia has accepted 12 aircraft (two of those aircraft are based in Australia; 10 are in the United States), and made substantial progress towards establishing an Initial Operational Capability, including:

- Pilot training in the United States commenced in April 2015.
- Maintenance training in the United States commenced in February 2017.
- Off-board Information Systems Centre operations in Australia commenced in December 2017.
- The first aircraft were ferried to Australia in December 2018.
- Australian verification and validation phase 1 and maintenance training in Australia commenced in December 2018.

To declare an Initial Operational Capability, by December 2020, Australia will:

- Establish initial Australian, Canadian, and United Kingdom Reprogramming Laboratory operations.
- Complete Australian verification and validation.
- Establish the F-35 engine Maintenance Repair Overhaul and Upgrade capability.
- Commence pilot training in Australia.

For a Final Operational Capability, Australia expects to:

- Establish three operational squadrons and one training squadron.
- Complete delivery of materiel and supporting services. The project anticipates closing the Materiel Acquisition Agreement by June 2030.

Risks

S33(a)(i) [redacted]

Cost: The project expects to deliver Initial Operational Capability within the current budget and cash profile with acceptable risk. S33(a)(i) [redacted]

Amber

Remediation Strategy

S33(a)(i) [redacted]

3.1.3	AIR05431PH3 Civil Military Air Traffic Management System

Project Description

AIR05431PH3 will acquire a fixed Air Traffic Management system to replace the existing Australian Defence Air Traffic System capability (Tower and Approach Centres) at 12 Australian Defence Force fixed base locations, and a simulator system for the School of Air Traffic Control.

Project Performance Overview

Slippage from original schedule:	Approved budget: $976m	Spend to date: $236m
The projected Final Operational Capability has slipped four months to February 2026.		

Defence is procuring a common Civil Military Air Traffic Management System (CMATS) through a joint acquisition and support program with Airservices. The project is also referred to as OneSKY. System Definition Review was successfully completed on 30 November 2018. A modified System Definition Review criteria and a baseline that did not include some Defence scope was agreed to be delivered by Airservices themselves. This resulted in a modest technical debt requiring resolution before Preliminary Design Review planned for October 2019. The Contract was amended in December 2018 to address some of the Defence scope changes, including removal of CMATS tower functionality at Gingin, Richmond, Edinburgh and Oakey and CMATS approach functionality at Darwin, Townsville and Oakey. A separate Airservices contract will deliver simpler regional towers at these sites, consistent with those used by Airservices. The projected Final Operational Capability has slipped four months to February 2026 as a result of some system redundancy requirements introduced by Airservices. However, there is potential to recover some of this and the Final Operational Capability date will be reviewed again as part of the next contract change in Quarter 3 2019.

Risks

S33(a)(i) [redacted]

Schedule: S33(a)(i) [redacted] A failure of the Prime System Integrator to align parallel engineering activities may result in schedule inefficiency particularly in the lead up to major milestones such as Preliminary Design Review (Quarter 4 2019). S33(a)(i) [redacted]	**Amber**
Cost: Defence contribution under the On Supply Agreement for CMATS and the Four Alternate Tower Solution is capped at $521m. This minimises Defence's exposure to the cost risk present in the Civil Military Air Traffic Management System Target Price Incentive acquisition contract.	**Green**

Remediation Strategy

S33(a)(i) [redacted]

3.1.4	LND0200PH2 Battlefield Command System

Project Description

LND0200PH2 will expand and evolve the Battle Management System – Command and Control and supporting Tactical Communications Network from Battle Group to Brigade Headquarters. The project will also enhance data interoperability and information exchange with other government agencies and Coalition partners by integrating the Battle Management System – Command and Control onto deployable operational level networks.

Project Performance Overview

Slippage from original schedule: Risk of 12 month delay S33(a)(i)	Approved budget: : $960m	Spend to date: $243m

Capability: Several Initial Material Release (IMR) capabilities may be delayed by up to 12 months to Quarter 3 2021. This is due to the additional time taken to establish vehicle integration contracts with Elbit Systems (Tank, Armoured Recovery and Bushmaster vehicles) and Thales (Hawkei).

Schedule: It is assessed that Harris Communications Australia may exit Detailed Design Review in Quarter 1 2020, up to six months late. s47E(d), s47G

Cost: The release of ~$51m from contingency was approved to treat the vehicle integration issue.

Risks

S33(a)(i)

Cost: The release of ~$51m from contingency to treat the vehicle integration issue was approved.	S33(a)(i)	Green

Remediation Strategy

s33(a)(i), s47E(d)

3.1.5	LND00121PH4 Protected Mobility Vehicle – Light (PMV-L)

Project Description

LND00121PH4 will provide the Australian Defence Force with highly mobile field vehicles that are protected from ballistic and blast threats.

Acquisition from Thales of 1,100 Protected Mobility Vehicles – Light and 1,058 companion trailers for command, liaison, utility and reconnaissance roles. Vehicles to provide an optimum balance of survivability, mobility, payload, communications, useability and sustainability.

It will deliver an entirely new capability for the Australian Army, providing a level of protection comparable to the Thales Bushmaster at around half the weight.

Project Performance Overview

Slippage from original schedule: Initial Operational Capability 12 months delay	Approved budget: $1.980m	Spend to date: $539m

Low-Rate Initial Production of the first 100 Hawkei vehicles and trailers has commenced whilst concurrently undergoing reliability growth testing. The Commonwealth has accepted 60 vehicles and 76 trailers from the Low-Rate Initial Production quantities. S33(a)(i) issues have led to delays, however the Commonwealth has convened three Strategic Relationship Board meetings with Thales between November 2018 and February 2019 to address these challenges. A fourth meeting is scheduled for 3 May 2019 to assess the vehicle's readiness to enter the Production Reliability Acceptance Test.

Risks

s33(a)(i), s47G

[redacted]

Cost: The project continues to work within the approved budget.	**Green**

Remediation Strategy

s33(a)(i), s47E(d)

[redacted]

3.1.6	AIR05428PH1 Pilot Training System

Project Description

AIR05428PH1 will provide Air Force, Army and Navy with a new fixed wing Pilot Training System. The Pilot Training System will encompass all aspects of initial Pilot and Qualified Flying Instructor training as well as providing for a new approach to the Flight Screening Program.

Project Performance Overview

Slippage from original schedule: 13 months delay to Initial Operational Capability	Approved budget: $1,245m	Spend to date: $530m

Initial Operational Capability (commencement of initial pilot and flying instructor training) was scheduled for 31 March 2019. The Australian Defence Force Basic Pilots Course Phase 1 and Flying Instructor Course commenced as scheduled on 14 January 2019 and 4 February 2019 respectively, however achievement of Initial Operational Capability has been delayed to April 2020 due to system deficiencies.

S33(a)(i) [redacted]

Defence and Lockheed Martin Australia agreed (with effect 14 September 2018) a reprioritised delivery schedule and associated commercial terms to support the commencement of flying training in January 2019 and to provide a defined pathway to remediate the Pilot Training System to the required standard.

The latest Defence/Lockheed Martin Australia program review on 4 December 2018 confirmed that while commencement of pilot training in January 2019 remained achievable, courseware and Flight Training Devices will not be fully matured to the requisite standard at that time requiring:

- implementation of an incremental delivery approach to courseware, and
- a revised Flight Training Device development and acceptance schedule.

Risks

s33(a)(i), s47E(d) [redacted]

Cost: S33(a)(i) [redacted] the project is expected to be delivered within the approved budget.	Green

Remediation Strategy

s33(a)(i), s47E(d) [redacted]

3.1.7	JNT00090PH1 ADF Identification Friend or Foe and Automatic Dependant Surveillance Broadcast

Project Description

JNT00090PH1 is upgrading legacy platforms that have military Mode 4 Identification Friend or Foe (IFF) and civilian Secondary Surveillance Radar systems to Mode 5 IFF and Mode Select respectively. The new complementary technology, Automatic Dependant Surveillance - Broadcast will also be implemented. JNT00090PH1's current scope includes eight platforms across the Air, Land and Maritime environments. s33(a)(iii) [redacted]

Project Performance Overview

Slippage from original schedule:	Approved budget: $436m	Spend to date: $134m
28 Months for Final Operational Capability		

During 2018/19, key activities for the project include: First of Type installation for the Multi Role Tanker Transport KC-30A, HMA Ships *Sirius*, *Choules* and the Huon Class Minehunters. The project is expecting to achieve Initial Operational Capability for the in-scope maritime and RBS-70 platforms; and transition into service of the upgraded Tactical Air Defence Radar System.

Risks

s33(a)(i), s33(a)(iii), s47E(d), s47G [redacted]

Cost:
The project budget was reviewed and re-phased during the recently completed budget estimates activity S [redacted] Despite the re-phasing, the project is expected to deliver its scope within the total approved budget.

Green

Remediation Strategy

S33(a)(i) [redacted]

3.1.8	JNT02008 Defence Satellite Communications Capability

Program Description

The Defence Satellite Communications (SATCOM) Capability is a multi-phased project that will provide the Australian Defence Force with a suite of strategic and tactical satellite communication capabilities. The seven remaining phases are:

JNT02008PH4 Wideband Global SATCOM (WGS); JNT02008PH3F Satellite Ground Station – West (SGS-W); JNT02008PH5A Ultra High Frequency SATCOM (UHF); JNT02008PH5B1.1 Wideband Transportable Land Terminals (TLTs); JNT02008PH5B1.2A Anchoring at Combined Communications Gateway Geraldton (C2G2); JNT02008PH5B1.2B Navy SATCOM Terminal Upgrade (MASTIS); JNT02008PH5B2 Satellite Ground Station - East and Network Management System (SGS-E).

Program Performance Overview

Slippage from original schedule:	Approved budget:	Spend to date:
Phase 3F SGS-W 8 year delay	Phase 3F SGS-W $102m	Phase 3F SGS-W $81m
Phase 5A UHF 3.5 year delay	Phase 5A UHF $422m	Phase 5A UHF $370m
Phase 5B1.1 TLTs 3 year delay	Phase 5B1.1 TLTs $207m	Phase 5B1.1 TLTs $177m
Phase 5B1.2A C2G2 3 year delay	Phase 5B1.2A C2G2 $41,620m	Phase 5B1.2A C2G2 $10m
Phase 5B1.2B MASTIS on track	Phase 5B1.2B MASTIS $59m	Phase 5B1.2B MASTIS $4m
Phase 5B2 SGS-E on track	Phase 5B2 SGS-E $234m	Phase 5B2 SGS-E $110m

JNT02008PH4 Wideband Global Satellite closed 6 March 2019 successfully providing the Wideband Global SATCOM and Interim Terrestrial Land Terminals.

Risks

s33(a)(i), s33(a)(iii), s47E(d), s47G

[redacted]

Cost:	Amber

Whilst a programmatic approach is being taken, inter-phase funding flexibility is not used. Total budget across all phases is $1,981m. Spend to date is $1,294m. Phase 3F recovered $15m in damages due to delay which has been absorbed into the project's acquisition budget. Phase 4 is complete S33(a)(i) [redacted] is expected to be complete in Quarter 2 2020. Once complete any remaining budget ($286m) including contingency ($113m) will be returned to the Portfolio.	
Governance: A ministerial submission advising the Ministers of the schedule delays and the programmatic approach will be sent to Government in July 2019. A risk based governance framework, using a programmatic approach is being adopted S33(a)(i) [redacted] in the remaining phases. Phase 5B1.2A and Phase 5B1.2B are currently not reported in the acquisition Monthly Reporting System as there is no Materiel Acquisition Agreement for either project.	**Amber**
Industry: BAE Systems is the prime contractor for Phase 3F and 5B1.2B. Viasat Inc. is the prime contractor for Phase 5A, Raytheon Australia is the prime contract for 5B1.1; and Northrop Grumman Australia is the prime contractor for Phase 5B2. There is no prime contractor for Phase 5B1.2A as it is acquired under a Wideband Global SATCOM Memorandum of Understanding between United States and Australia.	**Amber**
Workforce: Establishing a SATCOM capability is an inherently complex activity, made more challenging by the limited pool of SATCOM skills available to Defence and Australian industry. The mitigation strategy is to apply limited workforce resources to key focus areas and prioritise efforts across the SATCOM components. Defence has established a Material Support Program with Nova Australia for supplying contracted workforce to supplement the workforce shortage in SATCOM.	**Amber**

Remediation Strategy

s33(a)(i), s33(a)(iii), s47E(d) [redacted]

3.1.9	AIR05077PH5A Airborne Early Warning and Control Interoperability Compliance Upgrade

Project Description

AIR05077PH5A will deliver interoperability compliance upgrades in two Capability Releases for the E-7A Wedgetail. Release 1: Mode 5 Identification Friend or Foe interrogation capability on 2 aircraft. Release 2: fleet wide Mode 5 Identification Friend or Foe, Link 16, Cryptographic upgrade and other enablers including a Wideband Satellite Communication capability.

Project Performance Overview

Slippage from original schedule: 12 Months	Approved budget: $1,191m	Spend to date: $557m

Despite the significant schedule delay for Release 2 s33(a)(i), s47E(d), s47G [redacted]

Risks

s33(a)(i), s33(a)(iii) [redacted]

Cost: S33(a)(i) [redacted] the project is confident of achieving its revised forecasts. The project remains affordable within allocated budget, however may require access to contingency to S33(a)(i) [redacted]	Green

Remediation Strategy

s33(a)(i), s47E(d) [redacted]

3.1.10	SEA01654PH3 Maritime Operational Support Capability

Project Description

SEA01654PH3 will replace the Royal Australian Navy's existing afloat support capability, HMA Ships *Success* and *Sirius*, delivering a single class of Auxiliary Oiler Replenishment (AOR) ships to sustain deployed maritime forces.

Project Performance Overview

Slippage from original schedule: Forecast no variance for Initial Operational Capability and Final Operational Capability.	Approved budget: $1,071m	Spend to date: $512m

On 5 May 2016, the Commonwealth entered into a Contract with Navantia S. A. to acquire two AOR Ships. The AOR Ships Supply and Stalwart are being built in Spain with delivery scheduled to occur in 2019/20. The ship construction works are progressing to schedule and within budget s33(a)(i), s47E(d), s47G [redacted]

Risks

S33(a)(i) [redacted]

Schedule: S33(a)(i) [redacted] AOR Ship 1 *Supply* launched on 23 November 2018, and AOR Ship 2 *Stalwart* keel was laid as scheduled on 24 November 2018. *Stalwart's launch* is planned for 30 August 2019. *Supply's* Sea Acceptance Trials are due to start in December 2019, ahead of delivery to Australia by March 2020. The project remains on track to achieve Initial Operational Capability in Quarter 1 2021, Operational Capability 2 in Quarter 2 2021, and Final Operational Capability in 2022 as approved by Government at Second Pass.	Green
Cost: The total project spend to date is 48%. A request for release of 20% of allocated contingency was approved, to enable future delivery of approved scope inadequately funded in the Second Pass Cost Model.	Green

Remediation Strategy

s33(a)(i), s47E(d), s47G [redacted]

3.1.11	JNT02097PH1B Enhancements to Special Operations Capability

Project Description

JNT02097PH1B will enhance Special Operations Capabilities in Land Mobility and a Networked Special Operations Capability.

Land Mobility: Two Special Operations Vehicle fleets will be procured; 89 Special Operations Vehicles-Commando (SOV-Cdo) S33(a)(i) and 22 Special Operations Vehicles-Support (SOV-Spt) for S33(a)(i).

Networked Special Operations Capability: An integrated information environment comprising a range of tactical electronic communications systems to support Special Operations across the whole of Special Operations Command is being procured.

Project Performance Overview

Slippage from original schedule: 40 months for IOC	Approved budget: $332m	Spend to date $280m

A revised Materiel Acquisition Agreement was approved 28 October 2018 to formally delay Initial Operating Capability to December 2019 and Final Operating Capability to December 2020. The slippage from the original schedule has been caused by subcontractor insolvency and delays to improve the reliability of the SOV-Cdo. The issues are being closely managed in consultation with the contractor and the capability manager.

The SOV-Cdo fleet commenced remediation in November 2018 and is progressing well S33(a)(i) All 89 SOV-Cdo vehicles are scheduled to complete remediation by December 2019.

Supacat is meeting the revised delivery dates that were agreed in the remediation plan. Networked Special Operations Capability elements not linked to the SOV-Cdo vehicles are being delivered in accordance with the agreed schedule. The SOV-Spt vehicles have been delivered and transferred to sustainment.

Risks

S33(a)(i)

Schedule: Supacat continues to meet the delivery schedule to remediate the SOV-Cdo with reliability improvements. CASG is on schedule to achieve Initial Materiel Release. S33(a)(i)	**Amber**
Cost: Project budget (including Contingency) is assessed as adequate to complete the project.	**Green**

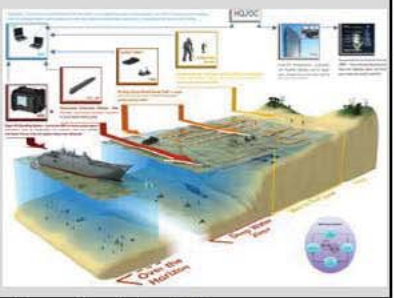
Remediation Strategy

S33(a)(i)

3.1.12	JNT01770PH1[i] Rapid Environmental Assessment

Project Description

JNT01770PH1 will deliver the deployable materiel elements of the Rapid Environmental Assessment capability in order to enhance the direction, collection, processing and dissemination of tactical maritime environmental information. The project will deliver four discrete sub-systems: Fly-Away Survey Kit System, Mobile Meteorological and Oceanographic Team, Survey Craft System and Autonomous Underwater Vehicle – Man Portable System.



Project Performance Overview

Slippage from original schedule: 12 months for Final Operational Capability.	Approved budget: $46m	Spend to date: $27m

Second Pass approval achieved in May 2015, with contract signature on 15 August 2016. Final Operational Capability is forecast for Q3, 2020.

Risks

S33(a)(i)

s33(a)(i), s47G

Cost: Despite a number of delays and challenges, the project remains on track to deliver the REA capability within the approved budget. Notwithstanding, approval to access $1.342m, contingency has been granted. S33(a)(i) address the additional expenditure arising from the forecast project delay, primarily for extension of contractor personnel filling key project positions.	**Amber**

Remediation Strategy

s33(a)(i), s47E(d)

[i] The environmental designation of this project was changed from JNT to SEA in accordance with DEFGRAM 639/2013 – Joint Capability Authority Framework. JNT is the CASG naming convention which will continue to be used to ensure retention of historical data within the finance and reporting systems.

3.1.13	AIR05440 Phase1 C-130J Block Upgrade

Project Description

AIR05440PH1 integrates and installs C-130J Block Upgrades 7.0 and 8.1 to the Royal Australian Air Force fleet. The upgrade includes the introduction of Identification Friend or Foe (IFF) Mode 5 and Automatic Dependent Surveillance – Broadcast (ADS-B) capabilities. The upgrade also replaces a number of systems that are becoming increasingly difficult to support, and delivers improved flight planning efficiency and enhanced tactical functionality.

Project Performance Overview

Slippage from original schedule: 18 months delay to IOC	Approved budget: $238m	Spend to date: $61m

The project's procurement is primarily via a United States Government-led Foreign Military Sales contract with Lockheed Martin. An s33(a)(i), s33(a)(iii) [redacted]

Risks

s33(a)(i), s47E(d) [redacted]

Cost: The project remains within budget estimates. S33(a)(i) [redacted]

Green

Remediation Strategy

s33(a)(i), s33(a)(iii), s47E(d), s47G [redacted]

3.1.14	AIR05431PH2 Fixed Defence Air Traffic Control Surveillance Sensors

Project Description

AIR05431PH2 will to replace the existing Air Traffic Control radars at RAAF Bases Darwin, Townsville, Amberley, Williamtown, Pearce, East Sale, Tindal, Naval Air Station Nowra, and Army Aviation Centre Oakey.

Project Performance Overview

Slippage from original schedule: Estimated slippage of 12 Months to Final Material Release (FMR) (from October 2021).	Approved budget: $202m	Spend to date: $95m

S33(a)(i) [redacted]

Risks

S33(a)(i) [redacted]

Schedule: Based on the schedule received from Hensoldt at the end of March 2019; FMR will slip at least 12 months, with a medium risk that it will slip a further 12 months S33(a)(i) [redacted]	**Red**
Cost: The contract is fixed, firm price, so the Contractor Hensoldt assumes the cost impacts of delay S33(a)(i) [redacted]	**Amber**

Remediation Strategy

S33(a)(i) [redacted]

Section 3.2 – Sustainment Products of Interest

Sustainment products with issues and risks raised against availability and cost performance that warrant heightened senior management attention become Products of Interest.

Each Product of Interest reports on performance, risks and a remediation strategy highlighting Industry and Defence management actions undertaken.

There are nine Products of Interest, listed in order of MSCAT rating. No products were removed from the Products of Interest list since the last report.

Serial	Product Number	Product Name	MSCAT Rating	First reported as a Product of Interest
3.2.1	CN34[1]	Canberra Class Landing Helicopter Dock	I	March 2017
3.2.2	CA12	Armed Reconnaissance Helicopter Weapon System	II	March 2017
3.2.3	CA48	Multi Role Helicopter (MRH90)	II	March 2017
3.2.4	CAF12	Air Traffic Management	II	June 2017
3.2.5	CN09	Armidale Class Patrol Boat	II	March 2016
3.2.6	CN38	Navy Guided Weapons	II	March 2016
3.2.7	CA40	Command and Intelligence Systems	II	September 2017
3.2.8	CAF14	Air Battlespace Management System Capability	III	June 2017
3.2.9	CA59	Explosive Ordnance Army Munitions	III	December 2017

[1] Likely to be considered for removal from the Projects of Interest list next quarter, after an Independent Assurance Review

3.2.1	CN34 Canberra Class Landing Helicopter Dock

Product Description

The Landing Helicopter Dock capability comprises two Landing Helicopter Dock vessels, 12 Landing Craft and support systems delivered under JNT02048PH3 and JNT02048PH4A/B in 2014/15, and have provided a significant increase in amphibious capability to the ADF. S33(a)(i) [redacted]

Product Performance Overview

2018/19 Budget	Year to Date: $75m	Year End: $131m Budget: $128m
KPI: Material Ready Days	Target: S3	Achievement: S3

S33(a)(i) [redacted] the platforms have deployed on Operation APEC Assist, Exercise Indo-Pacific 2019. S33(a)(i) [redacted]

Risks

S33(a)(i) [redacted]

Cost:
CN34 is anticipated to expend $131m in financial year 2018/19, which is $4m above guidance (variance of 3%).
S33(a)(i) [redacted]

YTD

YE

Remediation Strategy

S33(a)(i) [redacted]

3.2.2	CA12 Armed Reconnaissance Helicopter Weapon System

Product Description

The 22 Tiger Armed Reconnaissance Helicopters are capable of performing advanced reconnaissance and provide precision firepower in support of both ground and airborne assets in a range of adverse weather conditions. They were acquired under Project AIR00087PH2, now closed.

Product Performance Overview

2018/19 Budget	**Year to Date:** $100m	**Year End:** Budged $146m YE Forecast $152m
KPI (eg: Rate of Effort, MRD, Availability)	**Target:** S33(a)(i) [redacted]	**Achievement this QPR:** S33(a)(i) [redacted]

s33(a)(i), s47G [redacted]

Risks

S33(a)(i) [redacted]

Cost:

The focus has been on the renegotiation of the Armed Reconnaissance Helicopter Award term strategy.
S33(a)(i) [redacted]

YTD

YE

Remediation Strategy

s33(a)(i) [redacted]

3.2.3	CA48 Multi Role Helicopter Weapon System

Product Description

The Multi Role Helicopter achieved In-Service Date in December 2007, Initial Materiel Release in May 2013, Initial Operating Capability in Army December 2014 and Navy February 2015. All 47 aircraft have been delivered. The 47th aircraft was accepted on 18 July 2017. Final Operating Capability is expected in 2021 S33(a)(i) Planned Withdrawal Date is 2040. S33(a)(i)

Product Performance Overview

2018/19 Budget	Year to Date: Actuals: $148m	Year End: Budget: $233m
KPI (eg: Rate of Effort, MRD, Availability)	Target: S33(a)(i)	Achievement: S33(a)(i)

S33(a)(i), S47E, S47G

Risks

S33(a)(i)

Cost:
The financial position is being closely managed with shortfalls and opportunities actively addressed. S33(a)

YTD
YE

Remediation Strategy

S33(a)(i)

3.2.4	CAF12 Air Traffic Management

Product Description

The Air Traffic Management product is a highly integrated system of systems. Many of the systems are approaching, or are operating beyond initial Life of Type. The current management focus is on the challenge of sustaining the ageing systems and treating obsolescence until system replacements under a series of projects (Project AIR05431 Phases 1, 2 and 3, Air Force Minor projects and sustainment projects).

Product Performance Overview

2018/19 Budget	Year to Date: $36m	Year End: $52m Budget: $63m
KPI (eg: Rate of Effort, MRD, Availability)	Target: S33(a)(i) [redacted]	Achievement: S33(a)(i) [redacted]

S33(a)(i) [redacted]

Risks

S33(a)(i) [redacted]

Cost:
Year to date spend is Red due to delays in project installation and legacy system disposal that are outside CAF12 control. Year-end spend is reported as Red, but is assessed as Amber, as CAF12 is able to achieve the majority of planned spend for the sustainment tasks within CAF12 control. The forecast $16m year-end variance is due to the combination of genuine savings from consolidation of BAE support contracts, Airservices Super Order savings, Australian Military Airspace Control Communication System Interference Remediation savings, withheld AIR05431PH2 planned monthly support payments and the inability to proceed with planned legacy radar and navigation aid disposal activities and underperforming sustainment tasks. Tasks delayed from financial year 2018/19 will require funding in financial year 2019/20.

Future Risks:
The underspend in financial year 2018/19 will shift into financial year 2019/20. If AIR05431PH3 sustainment funding is not triggered, there will be funding pressure in achieving product schedule requirements.

YTD
YE

S33(a)(i) [redacted]

3.2.5	CN09 Armidale Class Patrol Boats

Product Description

Thales Australia assumed all in-service support activities as In-Service Support contractor for the 13 Navy owned Armidale Class Patrol Boats from May 2017 in Darwin and Cairns. Since mid-2017, Austal has provided in-service support requirements for the two leased Cape Class Patrol Boats under a separate contract, with most support from Cairns.

Product Performance Overview

2018/19 Budget	Year to Date: $64m	Year End: $94m Budget: $98m
KPI (eg: Rate of Effort, MRD, Availability)	Target: S33(a)(i) [redacted]	Achievement: S33(a)(i) [redacted]

The Armidale fleet is now operating beyond the planned paying off dates. Accordingly, the Patrol Boat Systems Program Office is addressing a range of logistics initiatives to manage the Class through until the Offshore Patrol Vessel is available to assume the Patrol Boat duties.

Risks

S33(a)(i) [redacted]

Cost:
Year to date projected underspend of approximately 2% S33(a)(i) [redacted] Year-end CN09 expenditure is forecast to be underspent by $4m (4%).

YTD

YE

Remediation Strategy

s33(a)(i), s47E(d) [redacted]

3.2.6	CN38 Explosive Ordnance – Navy Guided Weapons

Product Description

Sustainment of Navy guided explosive ordnance consisting of Harpoon, Evolved Sea Sparrow Missile, Standard Missile-2, Mk48 Heavyweight Torpedo, Mk54, Mk46 and MU-90 Lightweight Torpedoes, Danish Mine Disposal Charge, Hellfire 114N and Stonefish exercise mine.

Product Performance Overview

2018/19 Budget	Year to Date: $73m	Year End: $130m Budget: $124m
KPI (eg: Rate of Effort, MRD, Availability)	Target: S33(a)(i)	Achieved: S33(a)(i)

As at 31 March 2019, all Platform Load-out and Raise, Train and Sustain requirements have been met. Materiel Sustainment Agreement Key Performance Indicators: S33(a)(i)

Reporting for Nulka has been removed from CN38 as of 28 March 2019. S33(a)(i)

Risks

S33(a)(i)

Cost:
Year to date: Expenditure ahead of phasings S33(a)(i)

YTD

YE

Remediation Strategy

S33(a)(i)

3.2.7	CA40 Command and Intelligence Systems

Product Description

CA40 consists of hardware and software products that are used to support the Command and Control (C2) environment. JC4ISPO sustains and refreshes a significant set of modular C2 products and collaborative tools including a large quantity Commercial off the Shelf software and military special software with the associated Deployable Standard Operating Environment.

Product Performance Overview

2018/19 Budget	Year to Date: $26m	Year End: $66m
KPI (eg: Rate of Effort, MRD, Availability)	Target: Not reported	Achievement: Not reported

S33(a)(i) [redacted]

Risks

s33(a)(i), s47G [redacted]

Cost:	
S33(a)(i) [redacted]	YTD
	YE

Remediation Strategy

S33(a)(i) [redacted]

3.2.8	CAF14 Air Battlespace Management System

Product Description

The Air Battlespace Management System is a complex system-of-systems. Key platforms are the fixed site Vigilare Command and Control System (VS), deployable Mobile Control and Reporting Centre (MCRC), and the deployable Tactical Air Defence Radar System (TADRS). A considerable array of sensor and intelligence data and communication assets are also integrated into the capability.

Product Performance Overview

2018/19 Budget	Year to Date: $51m	Year End: $77m Budget: $73m
KPI (eg: Rate of Effort, MRD, Availability)	Target: S33(a)(i)	Achievement:

S33(a)(i)

Risks

S33(a)(i)

Cost:
S33(a)(i)

YTD

YE

Remediation Strategy

S33(a)(i)

3.2.9	CA59 Army Munitions & Guided Weapons

Product Description

The Australian Defence Force's Land inventory of explosive ordnance consists of small arms ammunition, pyrotechnics, mortar & artillery ammunition, special purpose ammunition, demolitions stores and Army guided weapons. Guided weapons are the Javelin anti-tank missile, RBS 70 Bolide Missile anti-aircraft missile and the AGM114 Air to Ground missile. Some of these items are also used by Air Force and Navy, such as small arms ammunition and demolition stores. Land Explosive Ordnance Systems Program Office (LEOSPO) manages and sustains the inventory of guided and non-guided ammunition for Army, including Navy and Air Force where Army is the lead service.

Product Performance Overview

2018/19 Budget	Year to Date: $52m	Year End: $162m Budget: $161m
KPI (eg: Rate of Effort, MRD, Availability)	Target Munitions Availability: S33(	Achieved Munitions Availability: S33

The LEOSPO team has been working with Army to revise and refine the Minimum Agreed Stock holdings, the Army Product Delivery Agreement and associated Product Management Plan for financial year 2019/20. To improve inventory management decision making, LEOSPO has established a Sustainment Board to facilitate collaborative enterprise decision making. LEOSPO has developed an Inventory Management and Analysis Tool as a key component of Systems Program Office Reform efforts. The tool consolidates inventory plans for the 690 products. The tool has already facilitated better inventory analysis and informed decision making, both for individual products and collectively for the entire portfolio. A total of $43m savings/cost avoidance has already been achieved by use of the tool, allowing reinvestment in higher priority Explosive Ordnance for Army.

Risks

S33(a)(i) [redacted]

Cost:
Expenditure is behind phasings primarily due to Munitions Industrial Bases year-to-date spend being transferred to the new product schedule, named CJC01, S33(a)(i) [redacted] Full achievement for the year-end budget forecast is anticipated. To ensure full achievement, LEOSPO is monitoring inventory plans via the monthly Sustainment Boards with full participation of the Army Capability Manager.

YTD

YE

Remediation Strategy

S33(a)(i) [redacted]

Annex A - Explanation of Performance Measures

Major capability acquisitions and sustainment activities and their performance metrics are defined in the Materiel Acquisition Agreements and Materiel Sustainment Agreements, agreed between the CAS Group Division Heads and Capability Manager Representatives. Performance against these measures is reported monthly in the respective systems for acquisition (Monthly Reporting System) and sustainment (Sustainment Performance Management System).

Measuring the Performance of Acquisition Projects

Project performance is assessed against a number of quantitative and qualitative measures.

The Key Acquisition Project Dashboard (Section 2a) and Performance Summaries for Key Acquisition Projects (Section 2c) use a traffic light system to rate performance. The Capability traffic light rating is a qualitative assessment. Schedule and Cost performance are data driven against specific parameters as below.

	Green = Acceptable performance	**Amber =** Early signs of underperformance	**Red =** Underperformance realised
Capability	On track to deliver approved scope.	Major elements of scope are about to fail against the baseline.	Major elements of scope have not been achieved as baselined.
Cost	On track to deliver within approved budget.	Latest Cost Estimate exceeds budget by up to 5%.	Latest Cost Estimate exceeds budget by more than 5%.
Schedule	Delivery before, on, or up to no more than 14 days after the Baseline Date.	Delivery more than 14 days after the Baseline Date, but less than 5% slippage.	Delivery on or later than 5% slippage.

Acquisition Projects of Interest (Section 2b) use a traffic light system to rate performance specifically against the risks raised. This is a qualitative assessment used to supplement the performance metrics reported using the guidance below.

	Green = Acceptable performance	**Amber =** Early signs of underperformance	**Red =** Underperformance realised
Capability	On track to deliver approved scope.	The approved scope may not be delivered in its entirety.	Major elements of scope have not been delivered.
Cost	On track to deliver within approved budget.	The project may exceed the approved budget.	A Real Cost Increase may be required.
Schedule	Project will deliver within approved schedule.	Project may deliver later than the approved schedule.	Project will deliver later than the approved schedule.

Measuring the Performance of Sustainment Products

Sustainment performance is assessed against a number of quantitative and qualitative measures.

The Top 30 Sustainment Product Dashboard (Section 3a) and Performance Summaries for Top 30 Sustainment Products (Section 3c) use a traffic light system to rate performance.

The Availability traffic light rating is a qualitative assessment endorsed by the CAS Group Division Head.

Cost performance are data driven against specific parameters as below. The Quarterly Performance Report cost traffic lights report performance against the baseline funding. This is because Defence operations funding is managed on a 'no win–no loss' basis as agreed by government.

SPMS Traffic Lights	**Green =** Acceptable performance	**Amber =** Early signs of underperformance	**Red =** Underperformance realised
Availability	The product's KPIs are within the agreed green threshold.	The product's KPIs are within the agreed amber threshold.	The product's KPIs are within the agreed red threshold.
Year End Cost	This indicator measures the year end product price baseline forecast against the Year End budget. Data reported is the year end actual (forecast). Achievement of +/- 3% tolerance.	Achievement of > 3% and <5% against Year End Budget.	Achievement of >5% against Year End Budget.
Year to Date Cost	This indicator measures the year to date achievement against product price baseline funding. Data reported is the year to date actual up to the current reporting period measured against the year to date phasings for the financial year. Achievement of +/- 3% tolerance.	Achievement of >3% and <5% against Year to Date Budget.	Achievement of of >5% against Year to Date Budget.

Sustainment Products of Interest (Section 3b) use a traffic light system to rate performance specifically against the risks raised. This is a qualitative assessment used to supplement the performance metrics reported using the guidance below.

	Green = Acceptable performance	**Amber =** Early signs of underperformance	**Red =** Underperformance realised
Availability	On track to achieve agreed Key Performance Indicators	The agreed Key Performance Indicators may not be achieved.	The agreed Key Performance Indicators have not been achieved.
Year End Cost	On track to deliver within approved budget (generally within 3% tolerance).	The product may exceed or under achieve the approved budget (generally between >3% and <5%).	A budget increase may be required.
Year to Date Cost	On track to deliver within approved budget (generally within 3% tolerance).	The product may exceed or under achieve the approved budget (generally between >3% and <5%).	A budget increase may be required.

Description of major capability milestones

The Quarterly Performance Report indicates performance against the following major capability milestones as defined under the Capability Lifecycle:

1. **Initial Operational Capability (IOC)** is the capability state relating to the in-service realisation of the first subset of a capability system that can be employed operationally. IOC is defined and endorsed at Second Pass project approval, and its achievement is reported by the Capability Manager.

2. **Final Operational Capability (FOC)** is the capability state relating to the in-service realisation of the final subset of a capability system that can be employed operationally. FOC is defined and endorsed at Second Pass project approval and its achievement is reported by the Capability Manager after the relevant Fundamental Inputs to Capability (FIC) have been delivered.

Description of ACAT and MSCAT Values

The Acquisition Categorisation (ACAT) and Materiel Sustainment Categorisation (MSCAT) Framework provides a consistent methodology for categorising the complexity of Defence projects and sustainment activities.

A robust description of the scale, complexity and risks can be determined with a rating of one, being the most strategically significant to four having a lower strategic significance. The categorisation level is a lead indicator in determining the level of governance and human resources to be applied.

The methodology requires the application of sound judgement to six standardised criteria for projects and six attributes for sustainment. Acquisition projects and sustainment products operate in a dynamic environment where complexity changes over time. ACAT and MSCAT levels are reviewed regularly and assured through an Independent Assurance Review.

Annex B – Project Maturity Scores

Project Maturity Scores are used as a means of measuring, benchmarking and communicating the relative maturity of an acquisition project through the capability life cycle. This qualitative methodology is a matrix of seven common project attributes to form a measure against the benchmark maturity score aligned with schedule milestones. The maximum score is 70, ie: 10 points for each of the seven attributes.

		PROJECT MATURITY SCORE ATTRIBUTE DESCRIPTORS					
		ATTRIBUTES					
	Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support
Delivering the Capability (Delivery Performance)							
Maturity Score	*How are IMR & FMR milestones tracking?*	*How well are the costs tracking against project approval?*	*How well are the requirement defined in the MAA being realised?*	*Defence's understanding of the technical solution and arrangements to operate and support the capability?*	*How well is the design and its validation coming along?*	*How well is industry performing?*	*How prepared is the project to transition from Acquisition to Sustainment?*
10	Achieved	Proven	Demonstrated	Fully Understood	Proven	All Delivered	Operational
9	Confident	Contingency Remains	Tested	Transferred	Tested	Delivered	Transitioning
8	Acceptable	Confident	Designed	Arranged	Integrated	Delivering	Integrated
7	In Tolerance	Within Contingency	Acceptable	Needs Understood	Designed	Manages Risk	Being Procured
6	Manageable	Negotiated	Contracted	Provided For	Planned	As Contracted	Defined
Defining the Capability (Process Maturity)							
Maturity Score	*How realistic is the schedule?*	*What is the quality of the project estimate?*	*How well are the requirement defined and understood?*	*How well do we understand the solutions?*	*How difficult is it to put together?*	*Can industry deliver the solution?*	*Impact on the existing operating and support environment?*
5	Confirmed	Per Endorsed capability	Endorsed	Understood	Manageable	Offered	Planned
4	Understood	Industry Tested	Documented	Feasible	Feasible	Industry Proposals	Known
3	Feasible	Reasonable	Solution Classes	Coalescing	Building Blocks	Strategy Developed	Issues Understood
2	Drivers Known	Plausible	Scenarios Identified	Minimal	Conceptual	Possible	Conceivable
1	Speculative	Speculative	Deficiency	Not at all	Not Defined	Not yet	Not Identified