Australian Government
Department of Defence

Capability Acquisition and Sustainment

Quarterly Performance Report

June 2019

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Front cover images taken during Exercise Talisman Sabre 2019 from top: A F/A-18F Super Hornet from No. 1 Squadron takes off from RAAF Base Amberley; Flight Lieutenant Paul Atteridge watches as a MH60-R helicopter approaches HMAS Canberra's Flight Deck; An Australian Army 40M Medium Truck disembarks a Royal Australian Navy landing craft during an amphibious landing at Kings Beach in Bowen.

Foreword

A.P. (Tony) Fraser
Deputy Secretary CASG

The end of the financial year is an opportunity to reflect on the year's achievements and performance. It is a time to gather lessons learned and focus on how to best meet the challenges ahead. The Defence Integrated Investment Program represents some of the largest and most complex acquisition and sustainment activities in the nation, and along with our allied partners, the world.

Ultimately our ability to deliver capability the Australian Defence Force and meet the Government's strategic objectives will be the measure of success. The capability of the Australian Defence Force is demonstrated at events such as Exercise Talisman Sabre held over June to July 2019. The participation of the individual platforms and systems points to their success, even with the challenges reported in the Capability Acquisition and Sustainment Quarterly Performance Report.

The June 2019 Quarterly Performance Report describes Defence's performance in delivering some of the most valuable major capability acquisition and sustainment activities. Images captured at Exercise Talisman Sabre and other exercises are featured throughout this report. I hope by featuring these a sense of the collective achievements of the people delivering and using the capabilities is seen.

I present a status update on the remediation activities of those projects and sustainment activities that warrant closer oversight and attention, the Projects of Concern and the Projects and Products of Interest. We will continue to work closely with our Industry partners to get these back on track.

There is a performance overview on the key issues, trends and changes since the last report. A traffic light dashboard provides a snapshot on Key Acquisition Project performance against capability, schedule and cost measures, and the Top 30 Sustainment products against availability and cost measures.

The changing strategic outlook and pace of technology is generating a rethink of the capabilities likely needed in the future. This will require Defence to remain agile, to be able to adapt the delivery model with the right capacity, skills and mindset to ensure Defence capability is delivered on time and within budget.

s22 [redacted]

A.P. (Tony) Fraser
Deputy Secretary
Capability Acquisition and Sustainment Group
21 August 2019

Purpose and Scope

The purpose of the Capability Acquisition and Sustainment Quarterly Performance Report is to provide Government and Department of Defence stakeholders insight into the delivery of major capability to the Australian Defence Force.

These are approved Integrated Investment Program activities and are managed under the Capability Life Cycle. The Quarterly Performance Report is the output of an assessment of the 124 post-second pass major capability acquisition projects reporting as at 30 June 2019, and 112 sustainment products. In 2018-19 there were 41 Key Acquisition Projects and with the Top 30 Sustainment Products. Detailed information is provided in the Supplementary Reference (available on request). During the quarter, two Key Acquisition Projects closed from reporting in the month of June.

Analysis is conducted to identify projects or products that may warrant more oversight and attention. These are considered for potential entry to the Projects or Products of Interest and/or the Projects or Products of Concern lists.

The governance and reporting function supports the regular management of these activities and informs Defence's Strong Strategic Centre. The early identification of risks and issues supports senior committee decision-making and the strategic management of issues. The quarterly output incentivises the monthly reporting processes that occur between the delivery group and end user. It enables a strong level of transparency across acquisition and sustainment activities shaped for a ministerial audience.

The Key Acquisition Projects are a combination of the Top 30 Projects listed in the Portfolio Budget Statements and the 26 projects listed in the Australian National Audit Office's Major Projects Report.

Some of these projects appear in both lists hence the total number of 41 Key Acquisition Projects in 2018-19.

The 41 'Key Acquisition Projects' represent 71% of the total Major Capital Equipment acquisition program approved budget.

The 'Top 30' Sustainment Products represent 71% of the sustainment program budget

From 1 July 2019 the list of Top 30 projects, based on value of in-year funds, has been updated with Defence's 2019/20 Portfolio Budget Statement. In Quarter 3, the Joint Parliamentary Committee of Public Accounts and Audit will agree to the 2019-20 projects to report in the Australian National Audit Office's Major Projects Report. Once agreed, together these will form the 2019-20 list of Key Acquisition Projects for the Quarterly Performance Report.

In 2016 the First Principles Review Implementation Committee agreed that the focus on the Key Acquisition projects and the Top 30 Sustainment Products in the Quarterly Performance Report would cover off the reporting requirement for the Deputy Secretary CASG at Recommendation 2.12 of the First Principles Review.

Significant events during the period to 30 June 2019

ANZAC Class Anti-Ship Missile Defence

On 17 June 2019 the Final Operational Capability milestone was achieved providing the Royal Australian Navy ANZAC Class Frigate with an increased level of self-defence against modern Anti-Ship Missiles.

A former Project of Concern due to a number of ship borne engineering concerns. Both Industry and the Commonwealth have overcome complex design challenges to implement the developmental sovereign capability of the CEA Active Phased Array Radar into the existing Frigate design. The project has since won awards from the Australian Institute of Project Management in 2011, and more recently at the 2019 Essington Lewis Defence and Industry awards.

Image: HMAS *Arunta* in Cockburn Sound during a VIP sea day to share in the 'First of Class' ANZAC Midlife Capability Assurance Program achievement at Fleet Base West, Western Australia, in July 2019.

EA-18G Growler Electronic Attack Aircraft

The Initial Operational Capability was declared for the EA-18G Growler electronic attack aircraft and associated training and support systems on 30 April 2019.

The EA-18G Growler capability is a first of type capability for Air Force and the Australian Defence Force. It includes new electronic attack aircraft fitted with purpose-built jamming pods, as well as a suite of advanced weapons and a Mobile Threat Training Emitter System.

EA-18G Growler aircraft are operated by No. 6 Squadron based at RAAF Base Amberley. Flight training devices and support facilities have been built and delivered to RAAF Base Amberley in Queensland. The aircraft and associated training devices are supported by Air Combat and Electronic Attack System Program Office and Industry Partners, including Boeing Defence Australia, Raytheon and General Electric.

Image: An EA-18G Growler from Electronic Attack Squadron 141 launches from the flight deck aboard the United States Navy's forward-deployed aircraft carrier USS Ronald Reagan, which was participating in Exercise Talisman Sabre 2019.

Maritime Patrol and Response Aircraft

On 13 June 2019, the Maritime Patrol and Response Aircraft acquisition project (AIR 7000 Phase 2B) formally accepted the eighth P-8A Poseidon aircraft from the US Navy.

The aircraft successfully flew its acceptance Functional Check Flight on 12 July 2019 and is now part of the No.11 Squadron operational fleet.

The remaining four aircraft will be delivered to Australia by the first quarter of 2020.

Image: The (second aircraft) P-8 Poseidon lands at RAAF Base Edinburgh for the 2019 Edinburgh Air Show media launch, on June 27, 2019.

Significant events since the end of the reporting period

KC-30A Multi-Role Tanker Transport

The first-of-type Royal Australian Air Force KC-30A Multi-Role Tanker Transport upgraded its Identification Friend or Foe system to Mode 5 standard.

The aircraft returned to Australia in early July 2019 after undergoing a 12 month modification and testing program in Spain by Airbus Defence and Space, under sub-contract to Northrop Grumman Australia. This achievement confirms the initial design and engineering solution, and will enable the remaining fleet to be upgraded in Australia over the next two and a half years at its Brisbane Maintenance and Modification Centre.

The upgrade of the KC-30A Identification Friend or Foe capability to the Mode 5 standard will increase the operational effectiveness of the fleet by improving interoperability and safety. The enhancement will ensure that the aircraft can be more readily identified as a “friendly” asset in the battlespace.

Image: A KC-30A Multi-Role Tanker Transport refuelling F/A-18 Hornets during Exercise Diamond Storm 19 redeploy, in May 2019.

Multi Role Helicopter

Multi Role Helicopter 'Taipan' Cessation of Flying - Tail Rotor Blade Issue. Following a Tail Rotor Blade incident during Exercise TALISMAN SABRE 2019, the Army temporarily ceased flight operations for Multi Role Helicopter 'Taipan' from 12 July 2019.

As is normal practice for aviation issues, an investigation by the Defence Flight Safety Bureau and the Defence Science and Technology Group is ongoing. Early indications point to the most likely cause being a failure sequence of an early configuration tail rotor blade fitted to the majority of the Australian Defence Force Taipan fleet. As a result of enhanced inspection criteria provided by the Australian Defence Force with Airbus Australia Pacific and supporting advice from the Original Equipment Manufacturer, a return to flight operations was granted on 8 August 2019 s33(a)(i) [redacted]

[redacted]

Image: A Royal Australian Navy MRH-90 Multi-Role Helicopter being moved from the hangar to the flight deck onboard HMAS Canberra, during Exercise Talisman Sabre 2019, on 9 July 2019.

Audit, Governance and Continuous Improvement

The Australian National Audit Office tabled its report on Defence's Quarterly Performance Report on Acquisition and Sustainment on 23 July 2019. Overall, the report was positive with some areas identified for improvement. Defence has agreed to the recommendation.

Recommendation:
Defence improve the Quarterly Performance Report as a tool for senior leaders by reporting on:
a. trend performance data for sustainment products; and
b. emerging candidates for the Projects/Products of Concern list and Products/Projects of Interest list that have been recommended by an Independent Assurance Review or which are under active consideration by senior management.

Key themes identified in internal and external audits

The CASG Risk Advisory Committee recently considered the key themes identified in the Australian National Audit Office's recently tabled Defence audits, as well as the capability related internal audits.

Four key themes identified in the external audits are:

- Governance and risk management
- Procurement
- Value for Money
- Policy and Program Implementation.

The First Assistant Secretary, Audit and Fraud Control advised the focus of the Australian National Audit Office is a shift from post-acquisition and sustainment scrutiny to examinations of early acquisition activities. The 2019-20 Audit Work Program relevant to capability acquisition and sustainment will review:

- Governance, records management and project management
- The ability to demonstrate efficiency, quality and value for money
- Transparency and the consistency of application of decision support processes.

2018-19 Australian National Audit Office Major Projects Report

The 2019-20 Major Projects Report assurance activity by the Australian National Audit Office is underway. At any given time there are three concurrent activities:

1. Closing out the recommendations from the previous year;
2. Conducting the current assurance activity; and
3. Preparing the guidelines for the next annual review.

The Australian National Audit Office is reviewing the evidence supporting the progress updates provided by projects. Capability Managers and the respective Industry partners will be provided an opportunity to respond or comment on the final reports before publication.

Themes in this year's review the Australian National Audit Office have identified to date are on contingency and risk.

Independent Assurance Reviews

Defence Independent Assurance Reviews assess the ongoing viability of capability investment decisions, and the health and outlook of programs, acquisition projects and sustainment products. This quarter there were 22 acquisition performance reviews and 13 sustainment performance reviews, and 10 related to capability investment decisions. The following Key Acquisition Projects and Top 30 Products were reviewed this quarter:

- Offshore Patrol Vessel (SEA 1180 Phase 1)
- Future Submarine Design and Construction (SEA 1000 Phase 1 and 2)
- ANZAC Air Search Radar Replacement (SEA 1448 Phase 4B)
- Battlespace Communications System (Land) (LAND 2072 Phase 2B)
- Helicopter Aircrew Training System (JP (AIR) 9000 Phase 7)
- Chemical, Biological, Radiological, and Nuclear Defence (LAND (JP) 2110 Phase 1B)
- Future Frigate – Design and Construction (SEA 5000 Phase 1)
- Maritime Operational Support Capability (SEA 1654 Phase 3)
- Future Naval Aviation Combat System (MH-60R) (AIR 9000 Phase 8) and MH-60R Seahawk Romeo Weapons System (CN35)
- Collins Class Submarine (CN10)
- Huon Class Mine Hunter Coastal (CN14)
- Navy Munitions (CN37)

Independent Assurance Reviews make recommendations for the consideration of senior managers that a Project or Product be considered a candidate to be a Project of Product of Interest, or Project of Product of Concern, or for removal from either list. Of note are the following outcomes:

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

[redacted]

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

[redacted]

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.

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 (SEA 5000 Phase 1) and Future Submarines (SEA 1000 Phase 1 and 2).

Continuous Improvement

In line with the culture of continuous improvement and feedback from various stakeholders changes have been made to the style of the report to improve readability and presentation.

Effort to evolve information on trends and identification of emerging issues to support decision-making will continue.

All feedback is appreciated and where appropriate is incorporated into the next report. It is expected that the next report will present a redesign of the Projects of Concern and Projects and Products of Interest report formats to a simpler, easier to read style.

Section 1 - Performance Overview

Australia is delivering a more capable Australian Defence Force supported by investment into Defence capability. The central theme of the Capability Acquisition and Sustainment Quarterly Performance Report is the status of Projects of Concern, Projects and Products of Interest, and Key Acquisition Projects and Sustainment Products.

Projects of Concern Overview

The list of Projects of Concern remains steady at two projects of 124[1] post-second pass major capability projects. The eDLAN activity is progressing steadily and at this stage there is no further commercial leverage to be gained from escalating to a Project/Product of Concern.

Progress toward remediation

MRH Helicopters (AIR 9000 Phase 2,4,&6) s33(a)(i) [redacted]

Significant event since the end of the reporting period

During Talisman Sabre 2019, the **Multi Role Helicopter** was temporarily grounded. Details are provided in the previous section.

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

Significant event since the end of the reporting period

s47G, s47E(d) [redacted]

Projects and Products of Interest Overview

Potential 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 to determine entry to the Project or Products of Interest list.

[1] Last quarter 103 post-second pass major capability projects were reported through Materiel Acquisition Agreements. The count of 124 represents all approved Second Pass major capability projects. Not all yet report through a Materiel Acquisition Agreement. This count does not include those delivered by CIOG and E&IG.

There is one new Product of Interest, **C-27J Battlefield Airlifter Sustainment** (CAF 34). s33(a)(i) [redacted]

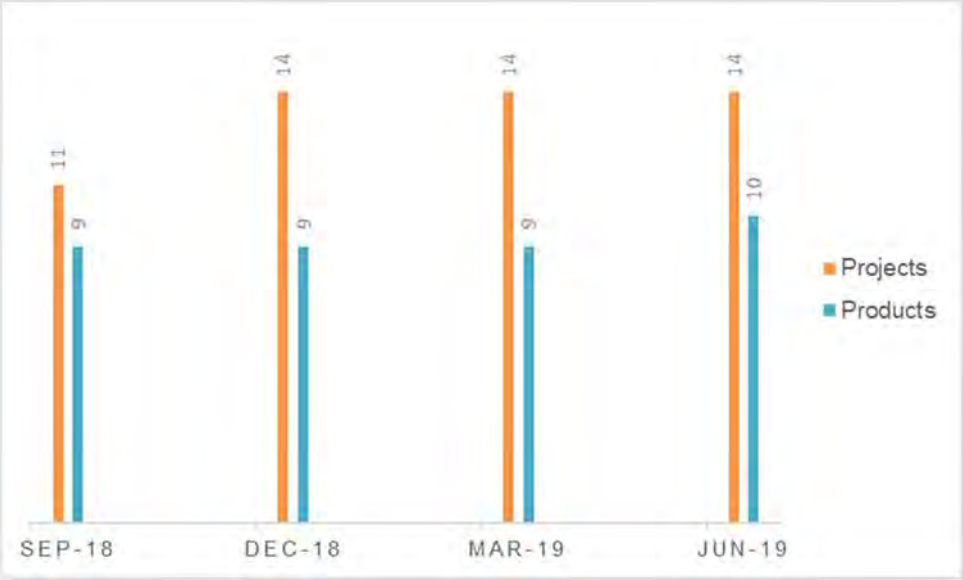
The **Jindalee Operational Radar Network** (JORN) (AIR 2025 Phase 6) project continues to be monitored from last quarter and an Independent Assurance Review recommendation for consideration as Project of Interest or Project of Concern. A decision to list as a Project of Interest will be made following a schedule baseline review with the contractor this quarter.

s33(a)(i) [redacted]

s33(a)(i) [redacted] for the **Growler Airborne Electronic Attack Capability** (AIR 5349 Phase 3). Issues will be monitored however as a project this is not a scope issue and is not a Project of Interest at this stage.

E-7A Wedgetail Airborne Early Warning and Control System (CAF20) s33(a)(i) [redacted]

Figure 1. Number of Projects and Products of Interest over the last 12 months



CASG Domain Overview

A major risk in sustainment is the impact of delays to replacement projects in maintaining increasingly obsolete equipment, and the availability of platforms to conduct maintenance.

The fragility in the Defence Industry supply chain is an issue for some platforms. However, it is also an opportunity to gain a deeper understanding of the risks in attracting smaller suppliers and drive innovation for the appropriate support mechanisms. This is managed through the Global Supply Chain Program.

These risks and issues are being managed through various reform activities and ongoing planning with Capability Managers.

There is an emerging workforce risk across Defence and Industry. The nationwide competition for skilled resources, across the various public and private sectors, is driving counterproductive behaviours to attract scarce resources.

Early intervention to ensure a balanced, prioritised workforce across sectors, able to meet the demands of projects of national significance and our sovereign industrial capabilities, should be a priority for review.

Air

s33(a)(i) for the **KC-30A Multi-Role Tanker Transport, C-27J Battlefield Airlift aircraft** and the **MRH 90 Multi Role Helicopter**.

Northrop Grumman Australia is closely engaged with CAS Group and Air Force to develop an enterprise ‘get well’ plan that includes its European supply chains. A Defence / Airbus Multi Role Helicopter taskforce is addressing s33(a)(i).

s33(a)(i)

Australian Industry remains competitive and continues to secure contracts in support of **F-35 global** production.

Across Aerospace, industry resourcing particularly in software and systems integration engineering, is significantly challenged by the concurrent demand across the approved and unapproved programs.

Joint

There are early signs of industry capacity issues particularly in systems engineering which have caused delays in some projects, most notably s33(a)(i).

Experience suggests industry workforce demand in specialist and STEM-related areas is outstripping supply, ahead of national strategies to address this. Some companies such as BAE Systems Australia are using a matrix model across their workforce for increasing flexibility and capacity to meet demand.

Industry capacity in the Joint Domain is feeling the pressure as the companies involved in both the National Shipbuilding Enterprise and Joint areas seek to meet all their contract obligations.

In consultation with prime contractors and Defence Industry Policy Division measures will be implemented to ensure the resilience and capacity of industry to deliver outcomes. These include:

- vendor and contract consolidation for sustainment and some acquisition; and
- increasing program management.

The integration and interoperability needs of projects / products, that historically led to schedule delays and capability issues, will be better managed under this approach.

Defence is transitioning to a new management contract for the **Government owned munitions factories at Benalla and Mulwala.** This will maximise the capacity available at Benalla through a multi-tenancy arrangement with Thales and NIOA. Where overseas suppliers cannot supply the required quantities or supply chains are excluded, this will give us more flexibility and surety of explosive ordnance supplies.

Land

Understanding the **supply chain** and the level of resilience across it, both domestically and internationally is the focus. The ability to engage Thales as the Prime Contractor has been critical to resolve the supply of **Hawkei** engines following Steyr Motors being placed into voluntarily administration.

s33(a)(i) [redacted]

The transfer of workload to the **Major Service Provider** within Integrated Soldier Systems Branch is occurring. There needs to be a clear delineation between Major Services Provider (Above the Line) support services and any overlap with Prime Vendors (Below the Line) maintenance responsibilities.

There are continuing shortages of skilled project managers, engineers and Integrated Logistic Support staff due to competition from Victorian state government and the private sector involved primarily in the large infrastructure projects in Victoria.

All elements of the **LAND 400 program** are being impacted by both external and internal workforce pressures. s33(a)(i), s47G [redacted]

[redacted]

Maritime

In Adelaide the **Air Warfare Destroyer program** work is ramping down. Every effort is being made to relocate those personnel at risk to other positions in either a BAE Systems company around Australia or with other shipbuilding companies in Australia, particularly Adelaide. s33(a)(i), s47G [redacted]

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

Submarines

Following entry to the **Submarine Partnering Agreement** with Naval Group in February 2019, the main effort across the Submarine Domain has been assuring the delivery of submarine materiel capability as whilst sustaining the **Collins Class** fleet and preparing for construction of the **Attack Class** feet.

The **Submarine Enterprise** is continuing to perform well in delivering above-benchmark availability across the Collins fleet. Emerging cost pressures arising from higher levels of submarine operational activity to meet world-class availability need to be managed. With the benefit of experience in implementing the 10+2 maintenance philosophy arising from the Coles Review, there is effort to identify savings across the Enterprise that can be reinvested in inventory and potentially other efficiency measures.

Strategic management of the **growing workforce demand**, particularly in South Australia, will also be required to mitigate the impact of higher labour costs and the potential loss of skilled industry personnel to other programs. Defence is continuing to work closely with the Department of Finance and industry (particularly Australian Shipbuilding Corporation) to develop options for future Collins sustainment dockings. The aim is to ensure this work continues efficiently and effectively during the ramp up of new ship and submarine construction in Adelaide from the early 2020s. These options will be presented to Government in the last quarter of 2019.

s33(a)(i), s33(a)(iii), s47G [redacted] Naval Group has had meaningful engagement with Australian industry. The profile of this work will be raised with Australian industry ahead of formal approaches seeking proposals from Australian companies for the supply of Future Submarine equipment, due to commence in October 2019.

Overview of the Key Acquisition Projects

Detailed project performance summaries are available in the supplementary reference to the Quarterly Performance Report. Having successfully delivered their projects, two Key Acquisition Projects closed their Materiel Acquisition Agreement and were removed from reporting in June 2019:

1. Replacement Heavyweight Torpedo (SEA 1429 Phase 2)
2. Collins Class Submarine Replacement Combat System (SEA 1439 Phase 4A)

Detailed project performance summaries on the Key Acquisition Projects are available in the Supplementary Reference to the Quarterly Performance Report.

Capability

The key performance metrics in acquisition are capability, schedule and cost. s33(a)(i)

[redacted]

Traffic light changes since the last quarter are shown in the table below. See the Projects of Interest Overview for the assessment on deteriorated performance.

Table 1. Project Capability performance changes

Deteriorated Performance:			Improved Performance:		
Project	Last Quarter	This Quarter	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 (LAND 75 Phase 4).

Some projects report the possible need to access contingency to complete activities. A new contingency policy has been promulgated by Defence Finance Group with effect 15 May 2019.

Overview of the Top 30 Sustainment Products

The key performance metrics are availability and cost.

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

Availability

s33(a)(i)

C-27J Battlefield Airlifter Sustainment (CAF34) has been determined a Product of Interest as at June 2019.

s33(a)(i)

- s33(a)(i)
- s33(a)(i)

It has been assessed that **E-7A Wedgetail Airborne Early Warning and Control System** (CAF20) is not a Product of Interest at this point. s33(a)(i) issues will be monitored through its Project of Interest reporting.

Traffic light changes since the last quarter are shown in the following table.

Table 2. Product Availability performance changes

Deteriorated Performance:			Improved Performance:		
Product	Last Quarter	This Quarter	Product	Last Quarter	This Quarter
s33(a)(i)					

Cost

The Top 30 sustainment products budgets reflect the 31 March 2019 Capability Manager February/March fleet screening outcomes, including reprioritisation of directed activity and funding.

June 2019

Overall, Capability sustainment overspent its budget by $62m, inclusive of sustainment in support of Operations.

The Top 30 sustainment products overspent their overall final budget by $92m, or around 2.1%. The end of financial year sustainment overspend indicates that Capability Managers have been able to prioritise and manage sustainment risk throughout 2018-19, and will assist in managing sustainment budget pressure in 2019-20.

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	III	68	s33(a)(i)	Red	Red	Green
2	**AIR05077PH5A**	**AEW&C Interoperability Compliance Upgrade** (Project of Interest)	2013	II	48		Red	Red	Green
3	AIR05349PH3	Growler Airborne Electronic Attack Capability	2012	II	58		Red	Green	Green
4	AIR07000PH2	P-8A Maritime Patrol and Response Aircraft (MPRA) System	2014	II	61		Green	Green	Green
5	AIR07403PH3	Additional KC-30A Multi-Role Tanker Transport (MRTT)	2015	III	61		Green	Green	Green
6	AIR08000PH2	Battlefield Airlift - Caribou Replacement	2012	II	55		Green	Red	Green
Helicopter Systems									
7	**AIR05428PH1**	**Pilot Training System** (Project of Interest)	2015	II	52	s33(a)(i)	Red	Green	Green
8	**AIR09000PH2, 4 & 6**	**Multi-Role Helicopter (MRH) 90** (Project of Concern)	2004	I	57		Red	Red	Green

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
9	AIR09000PH7	Helicopter Aircrew Training System	2014	II	69	s33(a)(i)	Green	Green	Green
10	AIR09000PH8	Future Naval Aviation Combat System (MH-60R) Seahawk Romeo	2011	II	61		Green	Green	Green
		Joint Strike Fighter							
11	**AIR06000PH2AB**	**New Air Combat Capability** (Project of Interest)	**2009**	I	51	s33(a)(i)	Green	Green	Green
		JOINT CAPABILITIES							
		Joint Systems							
12	AIR02025PH6	Jindalee Operational Radar Network (JORN)	2017	II	42	s33(a)(i)	Red	Amber	Green
13	**AIR05431PH2**	**Fixed Defence Air Traffic Control Surveillance Sensors** (Project of Interest)	2014	III	54		Red	Red	Green
14	**AIR05431PH3**	**Civil Military Air Traffic Management System (CMATS)** (Project of Interest)	2014	I	41		Amber	Green	Green
15	**JNT00090PH1**	**ADF Identification Friend or Foe and Automatic Dependant Surveillance - Broadcast** (Project of Interest)	2016	II	50		Red	Red	Green
16	**JNT02008PH5A**	**UHF SATCOM** (Project of Interest)	2009	II	54		Green	Red	Green
17	**JNT02008PH5B2**	**Satellite Ground Station - East and Wideband SATCOM Network Management** (Project of Interest)	2017	III	52		Not Rated	Not Rated	Green

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
18	JNT02072PH2A	Battlespace Communications Systems (Land)	2011	III	68	s33(a)(i)	Green	Red	Green
19	JNT02072PH2B	Battlespace Communications System (Land) [BCS(L)]	2015	I	53		Red	Red	Green
20	LND00075PH4	Battlefield Command Systems	2013	II	68		Green	Green	Amber
21	**LND0200PH2A**	**Battle Command Systems (Tranche 2)** (Project of Interest)	2017	I	44		Red	Red	Green
22	SEA01442PH4	Maritime Communications Modernisation	2013	II	50		Red	Red	Green
LAND CAPABILITIES									
Land Systems									
23	JNT02110PH1B	Chemical, Biological, Radiological and Nuclear Defence	2016	III	45	s33(a)(i)	Not Rated	Not Rated	Green
24	LND00053PH1BR	Night Fighting Equipment Replacement	2016	III	63		Green	Green	Green
25	LND00121PH3B	Medium and Heavy Capability	2007	I	60		Green	Green	Green
26	**LND00121PH4**	**Protected Mobility Vehicle - Light (PMV-L)** (Project of Interest)	2015	I	44		Red	Green	Green
27	LND00125PH3C	Soldier Enhancement Version 2 - Lethality	2015	III	62		Green	Green	Green
MARITIME CAPABILITIES									

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
Maritime Systems									
28	SEA01448PH2A	Anzac Class Anti-Ship Missile Defence	2003	II	68	s33(a)(i)	Red	Red	Green
29	SEA01448PH2B	Anzac Class Anti-Ship Missile Defence Upgrade	2009	I	69		Red	Red	Green
30	JNT02048PH3	Amphibious Watercraft Replacement	2011	III	67		Red	Red	Green
31	**JNT02048PH4A**	**Amphibious Ships** (Project of Interest)	2007	I	63		Red	Red	Green
Ships									
32	SEA01180PH1	Offshore Patrol Vessel	2017	II	44	s33(a)(i)	Red	Green	Green
33	SEA01448PH4B	ANZAC Air Search Radar Replacement	2017	II	52		Green	Green	Green
34	**SEA01654PH3**	**Maritime Operational Support Capability** (Project of Interest)	2016	II	50		Green	Green	Green
35	SEA03036PH1	Pacific Patrol Boat Replacement	2016	II	60		Red	Green	Green
36	SEA04000PH3	Air Warfare Destroyer Program	2007	I	61		Green	Red	Green
37	SEA05000PH1	Future Frigate - Design and Construction	2018	I	31		Blank	Blank	Green
Submarines									

#	Project Number	Project Name	Year of Decision	ACAT Value	Project Maturity Score	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
38	SEA01000PH1B	Future Submarine Design and Construction - Program Design and Mobilisation stage	2016	I	0	s33(a)(i) [redacted]	Blank	Blank	Green
39	SEA01429PH2	Replacement Heavyweight Torpedo	2001	III	complete	**Removed from reporting June 2019**			
40	SEA01439PH3	Collins Submarine Platform Systems Improvements (Collins Reliability and Sustainability)	2000	III	60	s33(a)(i) [redacted]	Green	Green	Green
41	SEA01439PH4A	Collins Class Submarine Replacement Combat System	2002	IIII	complete	**Removed from reporting June 2019**			

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	II	1985	2022	s33(a)(i)	Red	Red
2	CAF03	Lead-In Fighter Hawk Weapon System	III	2000	2025		Green	Green
3	CAF04	AP-3C/P3C Orion Weapon System	II	1978	2019		Green	Green
4	CAF06	C130J-30 Weapon System	III	1999	2030		Red	Red
5	CAF19	C-17 Heavy Air Lift Weapons System	III	2006	2036		Green	Green
6	CAF20	E-7A Wedgetail Airborne Early Warning and Control system	II	2009	2039		Red	Red
7	CAF21	F/A18F Super Hornet Weapon System	II	2010	2030		Red	Not Rated
8	CAF22	KC-30A Weapon System	II	2011	2031		Green	Green

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
9	CAF34	C-27J Battlefield Airlifter Sustainment	III	-	2037	s33(a)(i)	Red	Red
10	CAF35	P8 Poseidon	II	2016	2051		Red	Red
Helicopter Systems								
11	**CA12**	**Armed Reconnaissance Helicopter Weapon System** (Product of Interest)	II	2004	2034	s33(a)(i)	Red	Red
12	**CA48**	**Multi Role Helicopter (MRH90)** (Product of Interest)	II	2007	2040		Green	Green
13	CN35	MH-60R Seahawk Romeo Weapon System	II	2014	2048		Red	Red
JOINT CAPABILITIES								
Joint Systems								
14	**CAF12**	**Air Traffic Management** (Product of Interest)	II	1982	2023	s33(a)(i)	Red	Red
15	CAF13	Wide Area Surveillance (WAS)	II	2003	2025		Green	Green
16	**CA59**	**Army Munitions & Guided Weapons** (Product of Interest)	III	Multiple	Multiple		Red	Red
17a	CAF32	Explosive Ordnance Air Force Munitions	III	Multiple	Multiple		Green	Green

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
17b	CAF33	Explosive Ordnance Guided Weapons	III	Multiple	Multiple	s33(a)(i)	Red	Red
18a	CN37	Navy Munitions	III	Multiple	Multiple		Green	Green
18b	**CN38**	**Navy Guided Weapons** (Product of Interest)	II	Multiple	Multiple		Red	Red
LAND CAPABILITIES								
Land Systems								
19	CA19	Commercial Vehicles Fleet	III	Multiple	2021	s33(a)(i)	Green	Green
20	CA39	ADF Clothing	II	Multiple	2099		Green	Green
21	JHC01	Health Systems Fleet	IIII	Multiple	Multiple		Green	Green
MARITIME CAPABILITIES								
Maritime Systems								
22	CN01	Guided Missile Frigate	II	1981	2019	s33(a)(i)	Amber	Amber
23	CN02	Anzac-Class Frigate (FFH)	II	1996	2032		Green	Green

#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Cost	
							Year to Date	Year End
24	**CN09**	**Armidale Class Patrol Boat** (Product of Interest)	II	2005	2030	s33(a)(i)	Green	Green
25	CN14	Huon Class Mine Hunter Coastal	II	1999	2022		Red	Red
26	**CN34**	**Canberra Class Landing Helicopter Dock** (Product of Interest)	I	2014	2054		Amber	Amber
27	CN40	Hobart Class Destroyer (DDG)	I	-	-		Green	Not Rated
28	CN46	Sustainment of Hydrographic Capability	III	Multiple	Multiple		Red	Red
29	CN49	Maritime Cross Platform	0	N/A	N/A		Red	Red
Submarines								
30	CN10	Collins Class Submarine	I	1996	2030	s33(a)(i)	Green	Green

Section 2 - Projects of Concern

A Royal Australian Navy MRH-90 Taipan Multi Role Helicopter is secured onto the flight deck of HMAS Canberra in preparation for a four- month deployment on Exercise Ocean Explorer 2019.

Project of Concern Reports

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.

There are two Projects of Concern:

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

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

Project scope

The project will provide 47 new Multi-Role Helicopters (MRH90) to undertake battlefield lift operations, support domestic counter terrorism operations and facilitate the expansion of the Australian Defence Force's amphibious deployment and sustainment capability.

What went wrong?

s33(a)(i) [redacted]

Key Risks / Emerging Issues	Mitigation Strategy	Risk Rating
s33(a)(i), s47E(d), s47G [redacted]		

Implications of Project Failure

The aircraft replace in-service Army and recently retired Navy helicopters and delays to this program impact 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) [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**	$3,216m
Forecast	Achieved	Achieved	Jun 2021	Dec 2021	**RCI/RCD?**	No

2. Deployable Defence Air Traffic Management and Control System (AIR05431PH1)

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] The project was listed a Project of Concern in August 2017.

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]

s33(a)(i) [redacted]

Path to Remediation

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

Project Office Report

s33(a)(i) [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**	$26m
Forecast	Mar 2021	Nov 2021	Jun 2021	Jan 2022	**RCI/RCD?**	No

Section 3 - Projects and Products of Interest

No 3 Squadron has conducted the first RAAF F-35A Joint Strike Fighter transition course in Australia at the Integrated Training Centre, RAAF Base Williamtown.

Two pilots completed their first transition training flight in the F-35A on 15 July 2019 after undertaking an intensive two month academic and simulator training program. They will be posted to No 3 Squadron on completion of their training.

HMAS Canberra prepares to come alongside at Fleet Base West, marking the first berthing of Canberra Class Landing Helicopter Dock at HMAS Stirling. HMAS Canberra had been participating in Exercise Ocean Explorer 19.

Project of Interest Reports

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 Name (Number)	ACAT Rating	First reported as Project of Interest
1	Amphibious Ships (JNT02048PH4A)	I	March 2017
2	New Air Combat Capability (AIR06000PH2AB)	I	June 2017
3	Civil Military Air Traffic Management System (AIR05431PH3)	I	June 2018
4	Battlefield Command System (LND0200PH2)	I	September 2018
5	Protected Mobility Vehicle – Light (LND00121PH4)	I	December 2018
6	Pilot Training System (AIR05428PH1)	II	September 2017
7	ADF Identification Friend or Foe and Automatic Dependant Surveillance – Broadcast (JNT00090PH1)	II	September 2016
8	Defence Satellite Communications Capability (JNT02008)	II	March 2019[2]
9	Airborne Early Warning and Control Interoperability Compliance Upgrade (AIR05077PH5A)	II	December 2018
10	Maritime Operational Support Capability (SEA01654PH3)	II	December 2018
11	Enhancements to Special Operations Capability (JNT02097PH1B)	III	March 2017
12	Rapid Environmental Assessment (JNT01770PH1)	III	March 2017
13	C-130J Block Upgrade (AIR05440PH1)	III	September 2018
14	Fixed Defence Air Traffic Control Surveillance Sensors (AIR05431PH2)	III	December 2018

[2] Note the Defence Satellite Communications Capability program replaces UHF SATCOM (JNT02008PH5A) which first reported as Project of Interest in March 2017.

1. Amphibious Ships (JNT02048PH4A)

Project Description

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

Project Performance Overview

s33(a)(i) [redacted]	**Approved budget:** $3,092m	**Spend to date:** $2,843m

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 was transitioned from BAE Systems Australia to Naval Ship Management on 1 July 2019.

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

Risks

s33(a)(i) [redacted]

Cost risk: 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), s47G [redacted]

2. **New Air Combat Capability** (AIR06000PH2A/B)

Project Description

The New Air Combat Capability project introduces the F-35A Joint Strike Fighter capability that will meet Australia's air combat needs out to 2030 and beyond. Phase 2A/2B of the project is approved to acquire seventy-two Conventional Take Off and Landing F-35A Joint Strike Fighter aircraft to establish three operational squadrons, a training squadron, and necessary supporting/enabling elements to replace the F/A-18A/B Hornet capability.

Project Performance Overview

Slippage from original schedule: Nil	**Approved budget:** $16,523m	**Spend to date:** $4,612m

The first F-35A aircraft commenced service in Australia in December 2018. As of 30 June 2019, Australia has accepted 14 aircraft (four of those aircraft are based in Australia; 10 are in the United States), two of which have been delivered this quarter. Progress towards establishing an Initial Operational Capability includes:

- Pilot and maintenance training in the United States commencement and continuance
- The first aircraft were ferried to Australia in December 2018.
- Australian verification and validation Phase 1, and F-35 maintenance training in Australia commenced in December 2018.

Declaration of Initial Operational Capability is on track for December 2020, including: establish initial Electronic Warfare Reprogramming Laboratory operations; complete Australian verification and validation; establish F-35 Air Vehicle and F-35 Engine Maintenance Repair Overhaul and Upgrade capability in Australia; and commence pilot training in Australia.

For a Final Operational Capability, Australia expects to establish three operational squadrons and one training squadron, and complete delivery of materiel and supporting services.

Risks

s33(a)(i) [redacted]

Cost risk: 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), s47E(d) [redacted]

3. Civil Military Air Traffic Management System (AIR05431PH3)

Project Description

A fixed Air Traffic Management system will 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. Defence is procuring a common Civil Military Air Traffic Management System (CMATS), within the ONESKY program, a joint acquisition and support program with Airservices.

Project Performance Overview

Slippage from original schedule:	Approved budget: $976m	Spend to date: $264m
5.5 month delay to Initial Operational Capability, and 4 month delay to Final Operational Capability.		

Engineering Change Proposals withheld from System Definition Review, and others since, require resolution for Preliminary Design Review due October 2019.

The contract amendment in December 2018 addressed Defence scope changes: 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 and similar regional towers to those used by Airservices at these sites.

A combination of Contract Change Proposal 4, which includes Defence radio interfaces, and the schedule impact of Thales changes to their engineering management plan has resulted in a slip to Initial Operational Capability of 5.5 months.

Risks

Capability risk: The program is on track to deliver against the Defence capability requirements.	Green
Schedule risk: The Prime System Integrator will need to align parallel engineering activities particularly in the lead up to major milestones such as Preliminary Design Review in Quarter 4 2019. s33(a)(i), s47E(d), s47G [redacted]	Amber
Cost risk: The Defence contribution under the On Supply Agreement for CMATS and the Four Alternate Tower Solution is capped at $521m, and minimises Defence's risk in the CMATS Target Price Incentive acquisition contract. Contract Change Proposal 4 increased the Defence contribution.	Green

Remediation Strategy

s33(a)(i) [redacted]

4. **Battlefield Command System** (LND0200PH2)

Project Description

The project 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:	**Approved budget:**	**Spend to date:**
s33(a)(i) [redacted]	$961m	$322m

Several Initial Material Release capabilities will be delayed to Quarter 3 2021 due to a combination of time to establish new platform integration contracts and contractor performance: specifically the new integration contracts for the M1A1 Tank, Armoured Recovery vehicle, Bushmaster vehicles, and Hawkei; and a five month delay to Harris contracted Tactical Communications Network design review schedule. s33(a)(i) [redacted]

s33(a)(i) [redacted]

Risks

s33(a)(i) [redacted]

Cost risk: ~$51m of contingency was approved to treat the vehicle integration issues. It is assessed that remaining contingency is adequate. The project is expected to remain within approved budget to complete Tranche 2. **Green**

Remediation Strategy

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

5. Protected Mobility Vehicle – Light (LND00121PH4)

Project Description

The project 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 (Hawkei) and 1,058 companion trailers for command, liaison, utility and reconnaissance roles. These vehicles will provide an optimum balance of survivability, mobility, payload, communications, useability and sustainability.

The project will deliver a new capability for the Australian Defence Force, providing a level of protection comparable to the Thales Bushmaster at around half the weight.

Project Performance Overview

Slippage from original schedule:	Approved budget: $1,980m	Spend to date: $552m
12 month delay to Initial Operational Capability		

Low-Rate Initial Production of the first 100 Hawkei vehicles and trailers has commenced whilst concurrently undergoing reliability testing. The Commonwealth has accepted 80 vehicles and 88 trailers from the Low-Rate Initial Production quantities. s33(a)(i) issues have led to delays, however, the Commonwealth has convened four Strategic Relationship Board meetings with Thales between November 2018 and May 2019 to address these challenges.

The Production Reliability Acceptance Test commenced on 13 May 2019, following the Strategic Relationship Board confirmation that Thales had implemented fixes for all outstanding failures, and that the Hawkei predicted level of reliability met the contracted requirement. The Production Reliability Acceptance Test is a key enabler for entry into Full-Rate Production and is expected to be completed in Quarter 1 2020.

Risks

s33(a)(i), s47G

[redacted]

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

Remediation Strategy

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

[redacted]

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

6. Pilot Training System (AIR05428PH1)

Project Description

The Pilot Training System 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:	Approved budget: $1,251m	Spend to date: $681m
13 months delay to Initial Operational Capability		

The Australian Defence Force Pilots Course and Flying Instructor Course commenced at RAAF East Sale as scheduled on 14 January 2019 and 4 February 2019 respectively. To date, three Pilot courses have commenced Phase 1 training at Number One Flying Training School at East Sale, with the first course on schedule to complete this phase in in early July 2019 s33(a)(i) [redacted] Course three has commenced with a full complement of students. The first pilot's course will commence Phase 2 training at Number 2 Flight Screening Program at RAAF Pearce Western Australia in late July 2019. Flying Instructor courses are also proceeding on schedule.

The contractor is nearing the completion of delivery of the initial versions of courseware with the majority of courseware to be delivered by the end of July 2019. This courseware is being validated with the first running of each course and a planned update cycle occurring after the completion of each course. s33(a)(i) [redacted]

After a significant software update, the Flight Training Devices have recently completed a qualification activity to determine the maturity of the devices and what training events can now be conducted on them s33(a)(i) [redacted]

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

Pilot Training System Validation is being undertaken by Nova Systems, to ensure the overall performance of the Pilot Training System meets the requirements of the Australian Defence Force to achieve pilot training. Throughput has commenced with results expected to be incrementally provided over the next 15 months.

Risks

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

Cost: s33(a)(i) the project is expected to be delivered within the approved budget.	Green

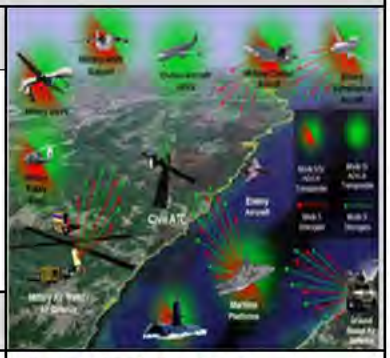
Remediation Strategy

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

7. ADF Identification Friend or Foe and Automatic Dependant Surveillance Broadcast (JNT00090PH1)

Project Description

Legacy platforms that have military Mode 4 Identification Friend or Foe (IFF) and civilian Secondary Surveillance Radar systems are being upgraded to Mode 5 IFF and Mode Select respectively. The project will upgrade eight platforms across the Air, Land and Maritime environments s 3



Project Performance Overview

Slippage from original schedule:	Approved budget:	Spend to date: $171m
28 months for Final Operational Capability	$436m	

During Financial Year 2018/19 the key activities for the project include: First of Type installation for the Multi Role Tanker Transport KC-30A, HMA Ships *Sirius*, *Choules*, the Huon Class Minehunters and achievement of Initial Operational Capability (IOC) for the Robotsystem 70 (RBS-70). For remaining 2019 the project expects to achieve IOC for maritime platforms and commence project transition of the Tactical Air Defence Radar System to Surveillance and Control Systems Program Office.

Risks

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

Cost:
The project re-phased at the budget estimates s33(a)(i) . The project is expected to deliver its scope within the total approved budget.

Green

Remediation Strategy

s33(a)(i)

s33(a)(i)

8. Defence Satellite Communications Capability Program (JP2008)

Program Description

Defence Satellite Communications [SATCOM] Program (JP2008) comprises multiple phases. The Program will provide the Australian Defence Force with a suite of strategic and tactical satellite communication capabilities. The seven remaining phases in acquisition are:

Satellite Ground Station – West (SGS-W) (JP2008PH3F); Wideband Global SATCOM (JP2008PH4) - MAA closed 6 March 2019; Ultra High Frequency SATCOM (JP2008PH5A); Wideband Transportable Land Terminals (JP2008PH5B1.1); Anchoring at Combined Communications Gateway Geraldton (JP2008PH5B1.2A); Navy SATCOM Terminal Upgrade (JP2008PH5B1.2B) and Satellite Ground Station – East and Network Management System (JP2008PH5B2).

Program Performance Overview (Phases yet to achieve FOC)

Slippage from original Final Operational Capability: schedule:	**Approved budget:**		**Spend to date:**	
Phase 3F 8 year delay	Phase 3F	$102m	Phase 3F	$81m
Phase 5A 3.5 year delay	Phase 5A	$422m	Phase 5A	$371m
Phase 5B1.1 3 year delay	Phase 5B1.1	$207m	Phase 5B1.1	$177m
Phase 5B1.2A 3 year delay	Phase 5B1.2A	$43m	Phase 5B1.2A	$10m
Phase 5B1.2B on track	Phase 5B1.2B	$59m	Phase 5B1.2B	$4m
Phase 5B2 on track	Phase 5B2	$234m	Phase 5B2	$114m
	Total:	$1,067m	Total:	$757m

Wideband Global SATCOM and Interim Anchoring Stations delivered under JP 2008 PH4, has one remaining deliverable, the installation of the Defence Science and Technology Group research facility at Edinburgh, South Australia, and is expected to be complete by Quarter 2 2020.

Risks

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

[redacted]

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

[redacted]

Cost risks: Whilst a programmatic approach is being taken, inter-phase funding flexibility is unavailable due to the approval authorities associated with the different projects. Total budget across all phases is $1,981m. Spend to date is $1,294m. Phase 3F recovered $15m in damages due to delays; this has been absorbed into this phase's acquisition budget for remediation, technology refresh and obsolescence management.	**Green**
Workforce: Establishing a SATCOM capability is an inherently complex activity, made more challenging by the s33(a)(i), s47E(d) [redacted] Defence has established a Major Service Provider Integrated Work Package with Nova Systems Australia for supplying contracted workforce s33(a)(i), s47E(d) [redacted].	**Amber**
Remediation Strategy	

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

[redacted]

9. Airborne Early Warning and Control Interoperability Compliance Upgrade (AIR05077PH5A)

Project Description

The project 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 for Capability Release 2.	**Approved budget:** $1,193m	**Spend to date:** $606m

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

[redacted]

Risks

s33(a)(i), s33(a)(iii)

[redacted]

Remediation Strategy

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

[redacted]

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

10. **Maritime Operational Support Capability** (SEA01654PH3)

Project Description

The project 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. 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.

Project Performance Overview

Slippage from original schedule: Nil	Approved budget: $1,071m	Spend to date: $550m

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

[redacted]

Risks

Capability: The project's capability requirements remain on track as approved by Government at Second Pass.	Green
Schedule: The project is actively managing the agreed corrective actions for resubmission of improved Integrated Logistic Support deliverables. Meeting the new Integrated Logistic Support delivery schedule will ensure Support requirements are met. AOR Ship 1 *Supply* launched on 23 November 2018, and AOR Ship 2 *Stalwart's* 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 (six months behind the original schedule). Delivery to Australia is due in March 2020, ahead of the Australian Fit-out period and Ship Acceptance in June 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 51%. A request for release of 20% (AUD $40m) 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]

11. Enhancements to Special Operations Capability (JNT02097PH1B)

Project Description

The project will enhance Special Operations Capabilities in Land Mobility and provide a Networked Special Operations Capability.

Land Mobility: Two Special Operations Vehicle fleets will be procured; 89 Special Operations Vehicles-Commando (SOV-Cdo) for s33(a)(i) , and 22 Special Operations Vehicles-Support (SOV-Spt) for s33(a)

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 Initial Operational Capability	**Approved budget:** $332m	**Spend to date:** $285m

Initial Operating Capability has been delayed 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 vehicle. 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 on schedule 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 Risk: Supacat continues to meet the delivery schedule to remediate the SOV-Cdo with reliability improvements. CASG advised Army that Initial Materiel Release was achieved on 14 June 2019 s33(a)(i)	**Amber**
Cost Risk: Project budget (including contingency) is assessed as adequate to complete the project.	**Green**

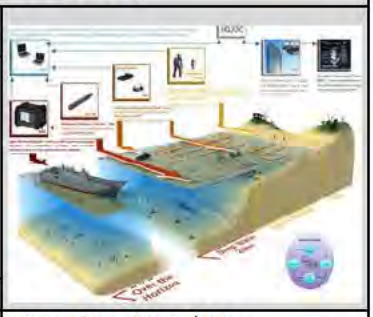
Remediation Strategy

s33(a)(i)

12. **Rapid Environmental Assessment** (JNT01770PH1)

Project Description

The project 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:** $28m

Second Pass approval achieved in May 2015, with contract signature on 15 August 2016. Initial Operational Capability achieved on 13 June 2019. Final Materiel Release to occur 25 November 2019 with Final Operational Capability to occur 30 June 2020.

Risks

s33(a)(i) [redacted]

Schedule Risk: s33(a)(i) [redacted] Final Materiel Release is to occur by 30 December 2019 with Final Operating Capability to be achieved 30 June 2020. s33(a)(i), S47G [redacted]	**Red**
Cost Risk: Survey Cabin Layout Redesign is yet to be submitted by the contractor for final approval. It is anticipated that changes to the layout will require a Contract Change Proposal and additional funds. Cost Risk is assessed as 'Amber' as the full scope of budget pressure will not be known until formal submission of projected cost by the Contractor.	**Amber**

Remediation Strategy

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

13. **C-130J Block Upgrade** (AIR05440PH1)

Project Description

The project will integrate and install Block 7.0 and 8.1 upgrades for the Royal Australian Air Force C-130J Hercules fleet. The upgrade includes the introduction of Identification Friend or Foe (IFF) Mode 5 and Automatic Dependent Surveillance – Broadcast (ADS-B) capabilities, critical for on-going compatibility with evolving national and global civilian air traffic management, and interoperability within the airspace of future theatres of operation. 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 Initial Operational capability	**Approved budget**: $238m	**Spend to date:** $68m

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

Risks

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

Cost: The project remains within budget estimates. There is a potential budget pressure due to anticipated cost increases for the embodiment program but it is expected to remain within the approved budget including contingency.	Green

Remediation Strategy

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

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

14. **Fixed Defence Air Traffic Control Surveillance Sensors** (AIR05431PH2)

Project Description

AIR05431PH2 will 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:	**Approved budget:**	**Spend to date:**
Estimated slippage of 12 Months to Final Material Release (from October 2021).	$202m	$98m

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

Risks

s33(a)(i) [redacted]

Schedule risks: Based on the schedule received from Hensoldt at the end of March 2019; Final Material Release will slip at least 12 months. s33(a)(i) [redacted]	**Red**
Cost risks: The contract is fixed, firm price, although there is an emerging risk in relation to cost increase s33(a)(i) [redacted]	**Amber**

Remediation Strategy

s33(a)(i) [redacted]

Product of Interest Reports

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 10 Products of Interest, listed in order of MSCAT rating. One product was added and no products were removed from the Products of Interest list since the last report.

Serial	Product Name (Number)	MS-CAT Rating	First reported as a Product of Interest
1	Canberra Class Landing Helicopter Dock (CN34)	I	March 2017
2	Armed Reconnaissance Helicopter Weapon System (CA12)	II	March 2017
3	Multi Role Helicopter (MRH90) (CA48)	II	March 2017
4	Air Traffic Management (CAF12)	II	June 2017
5	Armidale Class Patrol Boat (CN09)	II	March 2016
6	Navy Guided Weapons (CN38)	II	March 2016
7	Command and Intelligence Systems (CA40)	II	September 2017
8	Air Battlespace Management System Capability (CAF14)	III	June 2017
9	Explosive Ordnance Army Munitions (CA59)	III	December 2017
10	C-27J Battlefield Airlifter Weapon System (CAF34)	III	June 2019

1. Canberra Class Landing Helicopter Dock (CN34)

Product Description

The Landing Helicopter Dock capability comprises two Landing Helicopter Dock vessels, 12 Landing Helicopter Dock Landing Craft and support systems delivered under JP2048-3 and JP2048-4A/B in 2014/15, and have provided a significant increase in amphibious capability to the Australian Defence Force. s33(a)(i), s47G [redacted]

Product Performance Overview

2018/19 Budget	**Budget:** $128m	**Year End:** $134m
KPI: Materiel Ready Days	Target: 520	Achievement: 525

CN34 has achieved 100% materiel availability. HMAS *Canberra* deployed overseas for AUSINDEX including visits to India, Sri Lanka, Malaysia, Thailand, Cambodia and Indonesia. Two modified Landing Crafts are in HMAS *Adelaide* for Sea Series. s33(a)(i), s47G [redacted] The completion of the new Supplier Engagement Model has resulted in a long-term, 15 year contract awarded to Naval Ship Management.

Risks

Availability risk: Availability performance is high and continues to perform within acceptable tolerances. s33(a)(i), s47E(d), s47G [redacted]	Green
Cost risk: $134m was spent in financial year 2018/19, which is $6m (5%) above revised guidance. The increased cost in financial year 2018/19 is primarily attributed to the cost to undertake the Future Supplier Engagement Model activity (to implement a long-term support arrangement) including the cost of a concurrent Phase-In/Phase-Out period of the new supplier (Naval Ship Management) and the previous supplier (BAE Systems). s47E(d), s47G [redacted]	YE

Remediation Strategy

Short to Medium Term (1-3 months):
- Commence the transition period (July 19 - June 2020) of the new Sustainment Support Contract (Asset Class Prime Contract), while continuing to deliver business as usual support to the Landing Helicopter Dock capability. Naval Ship Management Asset
Class Prime Contractor achieved Operative Date on 01 July 2019 assuming full responsibility for all support services for Landing Helicopter Dock and Landing Craft The next 3 months are focused on addressing gaps in the Operating Model and planning for the first maintenance periods in August 2019 under the new arrangements.
- Materiel and Integrated Logistics Support remediation continues with a focus over the next three months on final POD blade design assessments, and support to the Sea Series Exercises, which will deliver the largest amphibious capability in Australian Defence Force history. Sea Series commenced June 2019.

Medium Term (3-12 months):
- Finalise all preparations for submission to the Capability Manager for Final Materiel Release and Final Operating Capability in
Quarter 4 2019. Integrate the new Supplier Engagement Model into the Landing Helicopter Dock sustainment business.
s33(a)(i) [redacted]

Long Term (12+ months):

s33(a)(i) [redacted]

- Completion of Landing Craft bulkhead installation work on all 12 boats.
- Close-out of the Amphibious Ships and Amphibious Watercraft Replacement projects acquisition contracts with BAE systems.

2. Armed Reconnaissance Helicopter Weapon System (CA12)

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.

Product Performance Overview

2018/19 Budget	**Budget:** $153m	**Year End:** $145m
KPI (eg: Rate of Effort, MRD, Availability)	**Target:** s33(a)(i) [redacted]	**Achievement this QPR:**

The Tiger Armed Reconnaissance Helicopter successfully supported the Army firepower demonstration, Exercise Chong Ju, and participated in embarked operations, Indo Pacific Endeavour and Sea Explorer. s33(a)(i), s47G [redacted]

Risks

s33(a)(i) [redacted]

Cost:

s33(a)(i) [redacted]

The Tiger Through Life Support Contract Award Term Extension was endorsed by Minister of Defence in April 2019. This will provide certainty to the Tiger system through to 2025 while also delivering cost of ownership efficiencies.

YE

Remediation Strategy

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

3. Multi Role Helicopter Weapon System (CA48)

Product Description

Defence procured 47 aircraft and all have been delivered. The 47th aircraft was accepted on 18 July 2017. Chief of Army has confirmed that the Multi Role Helicopter will operate in the Special Operations support role at the 6th Aviation Regiment as planned. s33(a)(i) Planned Withdrawal Date is 2037.

Product Performance Overview

2018/19 Budget	**Budget:** $233m	**Year End:** $239m
KPI (eg: Rate of Effort, MRD, Availability)	**Target:** s33(a)(i) s33(a)(i), s47E(d), s47G	**Achievement:**

Risks

s33(a)(i), s47G

Cost:
The financial position is being closely managed with shortfalls and opportunities actively addressed. The variation in budget is due to an earlier than forecast payment against the MRH sustainment contract, and the early receipt of engines and other extended services invoices.

YE

Remediation Strategy

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

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

4. **Air Traffic Management** (CAF12)

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 Deployable Defence Air Traffic Management and Control System (AIR 5431 Phase 1), Fixed Defence Air Traffic Control Surveillance Sensors (AIR 5431 Phase 2) and Civil-Military Air Traffic Management System (AIR 5431 Phase 3), Air Force Minor Projects and sustainment projects.

Product Performance Overview

2018/19 Budget	**Budget:** $58m	**Year End:** $52m
KPI (eg: Rate of Effort, MRD, Availability)	S33(a)(i) [redacted]	

S33(a)(i) [redacted]

Risks

s33(a)(i) [redacted]

Cost: The year-end variance is due the combination of genuine savings from consolidation of BAE support contracts, Airservices Australia Super Order savings and Australian Military Airspace Control Communication System Interference Remediation savings. s33(a)(i) [redacted] Tasks delayed from financial year 2018/19 will need to be completed in financial year 2019/20 and significant planning effort by the CAF12 team is underway to determine and manage the impacts.

YE

Remediation Strategy

s33(a)(i) [redacted]

s33(a)(i)

5. Armidale Class Patrol Boats (CN09)

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	**Budget:** $97m	**Year End:** $98m
KPI (eg: Rate of Effort, MRD, Availability)	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]

Remediation Strategy

Short to Medium Term (1-3 months):
Work is continuing to improve availability and responsiveness of patrol boats being maintained in Darwin and Cairns.
s33(a)(i), s47E(d), s47G [redacted]

Medium Term (3-12 months):
s33(a)(i), s47E(d), s47G [redacted]

Long Term (12+ months):
s33(a)(i), s47E(d), s47G

[redacted]

6. Explosive Ordnance – Navy Guided Weapons (CN38)

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	**Budget:** $123m	**Year End:** $191m
KPI (eg: Rate of Effort, MRD, Availability)	s33(a)(i) [redacted]	

As at 30 June 2019, all Platform Load-out and Raise, Train and Sustain requirements have been met. This is the last reporting Quarter for CN38 product schedule, CN54 will replace CN38 and CN37 as the Product of Interest. s33(a)(i) [redacted]

Risks

s33(a)(i) [redacted]

Cost:
Year-end: Variation due to a number of items brought forward as agreed with Assistant Secretary Finance - Navy. s33(a)(i) [redacted]

YE

Remediation Strategy

s33(a)(i) [redacted]

7. Command and Intelligence Systems (CA40)

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

Product Performance Overview

2018/19 Budget	**Budget:** $45m	**Year End:** $42m
KPI (eg: Rate of Effort, MRD, Availability)	s33(a)(i) [redacted]	

The Enhanced Deployable Local Area Network (EDLAN) capability has experienced significant delay of three years. In April 2019, Government approved LAND 4125 to deliver an alternate deployable Local Area Network solution to s33(a)(i) [redacted] and replace EDLAN. Notwithstanding this decision, EDLAN is the designated system to be installed s33(a)(i) [redacted]. This decision provides the Contractor, Thales Australia, s33(a)(i) [redacted]. A Deed of Agreement that resolves outstanding commercial issues was signed on 20 May 2019 and includes an Integrated Master Schedule along with improved commercial provisions. s33(a)(i) [redacted]

Risks

s33(a)(i) [redacted]

Cost:
s33(a)(i) [redacted] A Deed of Agreement signed in May 2019, resolved commercial issues and provides a revised Integrated Master Schedule s 3 [redacted] ave resulted in an underspend in the financial year 2018/19 budget. In addition to this, the Commonwealth has incurred additional cost across other projects s47E(d) [redacted] due to failure to deliver Government Furnished Equipment.

YE

Remediation Strategy

s33(a)(i) [redacted]

s33(a)(i)

[redacted]

8. **Air Battlespace Management System** (CAF14)

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	**Budget:** $77.53m	**Year End:** $81.7m
KPI (eg: Rate of Effort, MRD, Availability)	s33(a)(i)	

s33(a)(i)

Risks

s33(a)(i)

s33(a)(i)

Remediation Strategy

s33(a)(i)

s33(a)(i)

9. **Army Munitions & Guided Weapons** (CA59)

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.

Product Performance Overview

2018/19 Budget	**Budget:** $162m	**Year End:** $151m
KPI (eg: Rate of Effort, MRD, Availability)	s33(a)(i) [redacted]	

Risks

s33(a)(i) [redacted]

Cost:

s33(a)(i) [redacted]

YE

Remediation Strategy

s33(a)(i) [redacted]

10. **C-27J Battlefield Airlifter Sustainment** (CAF34)

Product Description

The C-27J Spartan provides Defence with key air mobility capability by performing multiple roles including air logistics support, airborne operations, aero-medical evacuation and search and rescue. The Spartan will fill the capability gap between medium, inter-theatre combat air mobility and rotary wing intra-theatre air mobility. The Spartan provides Defence with the ability to operate fixed wing air mobility from austere airstrips.

Product Performance Overview

2019/20 Budget	**Budget:** $60m	**Year End:** $57m
KPI (eg: Rate of Effort, MRD, Availability)	Target: s33(a)(i)	Achievement this QPR:

s33(a)(i), s47G

[redacted]

Risks

s33(a)(i), s47G

[redacted]

Cost: The actual costs to operate and sustain the new CAF34 capability are still being refined. However, additional financial pressures are emerging due to increasing Through Life Support costs, and planned capability enhancements. End of financial year 2018/19 achievement was impacted by the deferment of some payments to financial year 2019/20 to support broader portfolio considerations. These additional financial year 2019/20 cost pressures will be managed within the context of the broader Defence and Air Force sustainment budgets.

YE

Remediation Strategy

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

[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 and Performance Summaries for Key Acquisition Projects 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 =** Emerging risks and issues 	**Red =** Risks and issues 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 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 =** Emerging risks and issues 	**Red =** Risks and issues 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 and Performance Summaries for Top 30 Sustainment Products 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 =** Emerging risks and Issues 	**Red =** Risks and issues 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 >5% against Year to Date Budget.

Annex B – Explanation of Project Maturity Scores

Project Maturity Scores measure the relative maturity of an acquisition project against the benchmarked maturity score reasonably expected at that stage of the Capability Life Cycle. This qualitative methodology is a matrix of seven attributes, representing the major areas of risk for acquisition projects. Project Managers assign a score relative to process or delivery performance in answer to the questions below. The maximum score is 70, ie: 10 points for each of the seven attributes.

The seven attributes and questions are:

Attributes	Pre-Second Pass	Post-Second Pass
Schedule	How realistic is the schedule?	How are IMR & FMR milestone tracking?
Cost	What is the quality of the project estimate?	How well are the costs tracking against project approval?
Requirement	How well are the requirements defined and understood?	How well is the requirement defined in the MAA being realised?
Technical Understanding	How well are the solutions understood?	What is Defence's understanding of the technical solution and arrangements to operate and support the capability?
Technical Difficulty	How difficult is it to integrate the component parts?	How well is the design and its validation coming along?
Commercial	Can industry deliver the solution?	What is the contractor's management performance and customer relationship?
Operations and Support	Is the impact on the existing operating and support environment understood?	How well prepared is the project to transition from Acquisition to Sustainment?

Figure 1. Benchmark Maturity Score against Capability Life Cycle stage

Capability Life Cycle	Stage Description	Benchmark Maturity Score
Enter IIP	The project is recommended to Government for inclusion in the IIP	13
Decide Viable Capability Options	Capability definition/ development process between Gate 0 – 1, endorsed by the IC	16
First Pass Approval	First Pass options presented to Approval Authority	21

Capability Life Cycle	Stage Description	Benchmark Maturity Score
Industry Proposals/ Offers	Formal responses from industry to an RFP or RFT have been received and evaluated	30
Second Pass Approval	Second Pass Approval is sought from Approval Authority	35
Contract Signature	Achieving contract signature of a prime contract	42
Preliminary Design Review(s)	On completion of System Requirements Reviews and when Preliminary Design Reviews are completed	45
Detailed Design Review(s)	On completion of Detailed Design Reviews	50
Complete System Integration and Test	On completion of Verification and Validation activities at the system and subsystem levels	55
Complete Acceptance Testing	On completion of all contractual acceptance testing and associated testing activities nominated in the TEMP	57
Initial Materiel Release (IMR)	Occurs when the materiel components that represents the Delivery Group's contribution to Initial Operational Capability are ready for transition to the Capability Manager	60
Final Materiel Release (FMR)	Occurs when all the products and services within the MAA have been transitioned to the Capability Manager to support Final Operational Capability.	63
Final Contract Acceptance	On Final Acceptance as defined in the contract	65
MAA Closure	All deliverables under the MAA are complete, including all financial transactions and records, completion of contracts and transfer of remaining funds, risks and activities to sustainment	66
Acceptance Into Service	The point at which the Capability Manager accepts the Materiel System, supplies and services for employment in operational service	67
Project Completion	Project closure is achieved when the project is financially closed, support arrangements have been transitioned and all MAA requirements have been demonstrated and transitioned	70

Reference: CASG Procedure (PM) 001 – PROJECT MATURITY SCORES

The Milky Way shines above a M113AS4 Armoured Personnel Carrier on the last night of Exercise Talisman Sabre 2019, at Raspberry Creek, Shoalwater Bay Training Area.