

PROTECTED ENSITIVE: COMMERCIAI

Capability Acquisition and Sustainment

Quarterly Performance Report



December 2019

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Foreword

I am very proud of the achievement of CASG and Defence Industry. Our troops are exceptionally well equipped and supported. As we finalise this report, the nation is suffering the sad hardship and losses of fires and drought. In support of state agencies and volunteer organisation, under One Defence umbrella, CASG and Defence Industry responded to the crisis in a unified, mature and professional manner. Thank you for the work you do.

Further detail on the CASG support provided to the Australian Defence Force, Emergency Management Australia and local agencies is outlined as a significant event. Longer term it will be assessed what impact this has to our Defence and Industry assets and resources with plans adjusted where required.



A.P. (Tony) Fraser Deputy Secretary CASG

In the December 2019 Quarterly Performance Report, we present a status Deputy Secretary CA update on the remediation activities of those projects and sustainment activities that warrant closer oversight and attention, Projects of Concern, and Projects and Products of Interest.

A performance overview is provided 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.

On the 3 December 2019, the Minister for Defence and the Minister for Defence Industry met with senior Defence officials and Chief Executive Officers of companies with projects listed on the Department of Defence's Projects of Concern list. Discussions were robust and positive and it was clear both Industry partners were committed to progressing remediation objectives. We will continue to work closely with Capability Managers and our Industry partners to ensure the Australian Defence Force is provided with the capability they need.

The Government and Defence is focused on maximising opportunities for Australian Industry participation as a Fundamental Input to Capability. Reflecting the increased focus on Australian Industry Capability, we have established a dedicated senior executive to manage implementation.



A.P. (Tony) FraserDeputy SecretaryCapability Acquisition and Sustainment Group30 January 2019

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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 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 major capital projects with access to Integrated Investment Program funds and the 113 sustainment products managed under the acquisition and sustainment agreements between Capability Acquisition and Sustainment Group and the Capability Managers. In 2019-20 there are 38 Key Acquisition Projects and along with the Top 30 Sustainment Products (as listed in the Portfolio Budget Statements), there is a traffic light summary on their performance.

Projects or products that have been identified as warranting more oversight and attention are considered for potential entry to the Projects or Products of Interest and/or the Projects or Products of Concern lists. Detailed reports on each of the listed projects or products are within the Quarterly Performance Report.

The governance and reporting framework supports the regular management of acquisition and sustainment activities. The early identification of risks and issues enables senior committee decision-making and strategic management of the delivery of program outcomes. The quarterly output incentivises the monthly reporting processes that occur between the delivery group and end-user. It enables a high level of transparency across acquisition and sustainment activities shaped for a senior audience.

Did you know?

The **Key Acquisition Projects** are a combination of the Top 30 Projects listed in the Portfolio Budget Statements and the 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 38 Key Acquisition Projects in 2019-20.

The 38 Key Acquisition Projects represent 76% of the total Major Capital Equipment acquisition program approved budget.

The Top 30 Sustainment Products represent 70.5% of the sustainment program budget.

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.

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Significant events during the quarter to 31 December 2019



Image: Navy's MRH-90 Taipan helicopters based at HMAS Albatross in Nowra evacuated residents from Fishermans Paradise and North Sassafras on the South Coast, New South Wales on 21 December 2019.

OPERATION BUSHFIRE ASSIST

The Australian Defence Force is continuing to support Emergency Management Australia in firefighting and recovery efforts around the country.

Defence has been providing support to Emergency Management Australia in Firefighter and recovery effort since November 2019, and the larger scale Joint Task Forces with other agencies are now established. Reserves have been mobilised and additional Defence support is expected to be required. Defence Industry has provided outstanding support to Defence for this mobilisation and have clearly demonstrated that they are now a Fundamental Input to Capability.

The priority is for people's safety, working to get our platforms deployed and providing Australian Defence Force support to state and local emergency services.

Defence is monitoring the impact of this sustained effort on maintenance and planning cycles including the demand on Industry.

The Domains discuss support over page.

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Image: Reservists from the 10th/27th Battalion, Royal South Australia Regiment, disembark two Australian Army CH-47 Chinooks from the 5th Aviation Regiment at the Kangaroo Island Airport as part of OP Bushfire Assist on 13 January 2020.

Air Domain support to Operation Bushfire Assist

Air Force aircraft that have responded to Defence Assistance to the Civil Community (DACC) requests during the last quarterly reporting period include C-17A Globemaster III, C-130J Hercules, C-27J Spartan and P-8A Poseidon aircraft, which continue to conduct bushfire-related tasking as required under the three established Defence Joint Task Forces. Support to bushfires was able to be swiftly initiated, and is anticipated to be sustainable for the expected duration and tempo of required bushfire support. Potential flow-on effects such as adjustments to maintenance cycles, impacts to availability of aircraft or spares, or changes to supporting commercial arrangements will be assessed. Existing commercial arrangements were suitably robust to enable ramp-up over the traditional holiday period, and support provided by industry to enable bushfire tasking has been noteworthy.

Army and Navy helicopters have been supporting firefighting efforts in Queensland, New South Wales and Victoria since November, under local commanders' authorisation. With the establishment of the Joint Task Force as part of the Federal response, the helicopter support is now being centrally coordinated, including New Zealand and Singaporean helicopters. The centralised coordination is examining aircraft rotation plans, spare parts provisioning and role equipment requirements to ensure the impact on future military responses and training is minimised. The bushfire response will drive a spike in aircraft usage and support system demands. This impact is still being assessed. Industry support to the helicopter response has been excellent. Airbus Australia Pacific, Boeing Defence Australia, and Sikorsky Aircraft Australia have all recalled staff to assist with aircraft and equipment

preparations. s33(a)(i), s47G

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Image: Australian Army soldiers from 9th Combat Service Support Battalion, deliver desperately needed hay to a Stokes Bay farm on Kangaroo Island. 16 bales of hay were delivered before conditions deteriorated and transportation was restricted on 13 January 2020.

Land and Joint Domain support to Operation Bushfire Assist

Joint

Joint Domain business units and industry partners have been supporting Capability Managers and operational units in preparedness for fire support and deployment through provision of additional satellite and radio communications equipment.

Land

The Land Domain is working closely with the Capability Managers, primarily Army and Joint Health Command, to provide options and mobilise support for the bushfire affected areas. The diverse nature of the equipment we manage is reflected in the support provided, ranging from fuel and water storage, and supply vehicles to an array of protective equipment, including protective face masks, and firemen's boots and ration packs.

Our industry partners have been extremely responsive in helping us to develop immediate supply options and surge capacity where required. In some cases this will require the reprioritisation of industry resources, particularly as they relate to existing production manufacturing lines and the need to redirect effort, in others it is to increase the total production output. Significant and highly collaborative efforts are being made across the Land Domain, Capability Manager, Joint Logistics Command and industry staff to ensure the support of some of the more ageing equipment that is being deployed.

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Image: CASG continues to provide support to HMAS Adelaide and HMAS Canberra in meeting the operational requirements of OP BUSHFIRE ASSIST. This included several industry partners including General Electric Marine and Shadbolt Group embarking on HMAS Adelaide to progress defect rectification and a number of different contractors working to ready HMAS Canberra for sea.

Maritime Domain support to Operation Bushfire Assist

Maritime Systems Division saw a rapid mobilisation of a number of capabilities it sustains (and the Commonwealth and Industry personnel that support them) from the beginning of 2020 in support of Operation Bushfire Assist. Working closely with Navy, Commonwealth and Defence Industry personnel were recalled or returned early from leave to prepare HMA Ships *Choules* and *Adelaide* for the short notice deployment.

All industry partners across the Amphibious Combat and Sealift enterprise stepped up, with Shadbolt completing required repair work on the gas turbine engine uptakes on HMAS *Adelaide* in extended rolling shifts; working beside General Electric, as the Manufacturer of the Landing Helicopter Dock gas turbines who completed the required work and testing/trials of the gas turbine engine on the ship at sea earlier than expected. Both partners also combined with Lloyds Register to enable HMAS *Adelaide* to sail earlier whilst continuing to satisfy her seaworthiness obligations in order to respond to the Operation. This complements the great work A&P Australia (the HMAS *Choules* sustainment lead) has provided Defence in support of *Choules*, and Naval Ship Management Australia in support of both Landing Helicopter Docks throughout the stand-down period.

Significant additional work is now being directed towards bringing HMAS *Canberra* out of maintenance early for additional tasking as required. Behind the scenes, the maritime support element of the Division has worked to provide logistic support to the operation, ranging from ships stores to additional lifejackets. The fact all three major amphibious assets can be made available to Navy for operations at such short notice is testament to the significant expertise and enterprise of Capability Acquisition and Sustainment Group, Defence Industry and Navy.

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Image: HMAS Adelaide completing amphibious training activities off the coast of Tonga 15 Nov 2019.

Amphibious Ships (JNT02048PH4A)

The Chief of Navy declared the Final Operational Capability milestone on 4 November 2019 for the Landing Helicopter Dock capability. The full scope of amphibious operations including Humanitarian Aid, Disaster Relief and Amphibious warfare are able to be deployed.

The project was declared a Project of Interest in March 2017 due to substantial materiel and Integrated Logistic Support deficiencies identified with HMAS *Canberra* and HMAS *Adelaide* upon delivery. The defects required rectification work to complete final acceptance, which delayed Final Materiel Release and resulted in a 37-month delay to Final Operational Capability.

Operational availability of the vessels is now being achieved, with 100 per cent availability achieved over the last 12 months, and the platforms having completed a number of high tempo operational deployments over the period. Effort is continuing with finalising configuration and the progression of redesign and remediation work. Upgraded major systems will be installed during scheduled dockings in late 2020 and 2021 to bring the platform up to full capability.

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Image: The Special Operations Vehicle-Commando (SOV-Cdo) capability.

Enhancements to Special Operations Capability (JNT02097PH1B)

On 18 December 2019 the Initial Operating Capability milestone was achieved providing Special Operations Command (SOCOMD) with land mobility and networked Special Operations capabilities.

This includes capabilities that will see SOCOMD well-postured to meet emerging threats in a contested near-peer environment. All delivered equipment has been operationally tested and evaluated. Overall, the project has successfully delivered 21 of the 23 scope elements to date.

The High Mobility Transporter – Extenda vehicle (HMT-E) has been renamed from the Special Operations Vehicle – Commando (SOV-Cdo) to reflect the platform's wider employability across the Army. s33 (a)(i)

The project was listed as a Project of Interest in March 2017 due to subcontractor insolvency and delays to improve the reliability of the HMT-E vehicle. Both Industry and the Commonwealth worked collaboratively over the last two years to overcome approximately 40 issues identified during reliability testing of the HMT-E vehicle. The Commonwealth is continuing the development of the HMT-E vehicle to ensure the capability delivered meets the operational requirements of Final Operating Capability in December 2020.

Governance, Audit and Continuous Improvement

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. The effectiveness of the reporting relies on timely execution of these agreements and annual review to ensure key performance measures remain fit for purpose.

Two Key Acquisition Projects, in the early stage in the Capability Life Cycle, are reporting project performance but do not yet report on operational capability milestones through a Materiel Acquisition Agreement. These are the *Hunter* Class Frigates (SEA 5000 Phase 1) and *Attack* Class Submarines (SEA 1000 Phases 1 and 2). Submarine Escape Rescue and Abandonment System (SEA 1354 Phase 1) is not yet reporting on operational capability milestones the Materiel Acquisition Agreement based on Second Pass approval in April 2018 has not been finalised.

Performance metrics for some products in the Sustainment Performance Management System are yet to be transacted to reflect the agreed plans. This administrative issue is impacting reporting against the 2019-20 financial and non-financial performance metrics for approximately one-third of the Top 30 products. Effort is ongoing to complete the administration of the Materiel Sustainment Agreements' Product Schedules.

Key themes identified in internal and external audits

The CAS Group Risk Advisory Committee considered the key themes identified in the Australian National Audit Office's recently tabled audits across the Australian Public Service, with no recently tabled Defence performance audits.

The First Assistant Secretary, Audit and Fraud Control advised the Australian National Audit Office is increasing focus on reliability of performance indicators and performance evaluation. The Australian National Audit Office identified the following themes that are relevant to CASG:

- Whether performance measures are relevant, reliable, and complete, and support accurate assessment of progress.
- Evaluation is a critical element of establishing accountability for project, program or activity performance against objectives, and providing insight to ensure ongoing improvement in program impact. It is good practice to consider the evaluation approach early and to establish an evaluation framework during the design phase.

2018-19 Australian National Audit Office Major Projects Report

The Australian National Audit Office (ANAO) tabled the 2018-19 Major Projects Report on 16 December 2019. The report attracted significant media attention due to the method of summary presentation of budget and schedule performance for the 26 projects covered by the report.

Defence has identified a need for a strategic review of the Major Projects Report to assess whether it remains fit-for-purpose, and supports the timely, efficient and accurate disclosure of information. Defence considers there is an opportunity to improve the report and align it to the First Principles Review reforms.

It should be noted that Defence and the ANAO have already commenced preparations for the 2019-20 report, and the process Guidelines have been endorsed by the Joint Committee of Public Accounts and Audit.

Independent Assurance Reviews

Defence's 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 21 acquisition performance reviews, 11 sustainment performance reviews, and seven related to capability investment decisions (with some combined into one review). Reviews were also conducted on three Information Communications and Technology projects on behalf of the Chief Information Officer Group. There was one performance review and two related to capability investment decisions. The following Key Acquisition Projects and Top 30 Products were reviewed this quarter (in order of review):

- Amphibious Ships (JP 2048 Phase 4A/4B and CN34)
- Pacific Patrol Boat Replacement (SEA 3036 Phase 1)
- Submarine Escape Rescue and Abandonment System (SERAS) (SEA 1354 Phase 1)
- Medium and Heavy Vehicle Capability (LND 121 Phases 3B and 5B)
- Air Warfare Destroyers (SEA 4000 Phase 3 and CN40)
- Commercial Vehicle Fleet (CA19)
- Pilot Training System (AIR 5428 Phase 1)
- Protected Mobility Vehicle Light (PMV-L) (Hawkei) (LND 121 Phase 4)
- Battlefield Airlift Caribou Replacement (AIR 8000 Phase 2) and C-27J Battlefield Airlifter Weapon System (CAF34)
- ADF Identification Friend or Foe (IFF) and Automatic Dependant Surveillance Broadcast (ADS-B) (JNT 90 Phase 1)
- Maritime Operational Support Capability (SEA 1654 Phase 3)
- Armed Reconnaissance Helicopter (ARH) (CA12)

Independent Assurance Reviews make recommendations for the consideration of senior managers. This includes whether a project or product be considered a candidate Project of Product of Interest, or Project of Product of Concern, or for removal from either list. A summary of each of the outcomes follows.

The review for **Amphibious Ships** recommended that the project maintain its status as a Project of Interest until Final Operational Capability is achieved (*now achieved*), and the Transition and Remediation Program is substantially completed. This review was combined with **Canberra Class Landing Helicopter Dock** sustainment product which was also recommended to remain a Product of Interest until the implementation of new contract arrangements and further clarity on the roles and responsibilities of the Landing Helicopter Dock Enterprise.

The **Pacific Patrol Boat Replacement** review noted acquisition progress is tracking well, although some warranty claims have arisen. The contractor is dealing with these proactively with the exception of one

claim under dispute. The review noted that sustainment of the vessels is quite challenging for numerous reasons, and recommended undertaking a critical review of the resourcing impacts on the Pacific Patrol Boat System Program Office, the status/maturity of the Austal support system and level of performance is assessed, and to explore the opportunity to improve the Product Schedule performance and reporting framework.

The **Submarine Escape Rescue and Abandonment System (SERAS)** is a complex project that benefits from a robust, 'hands on' approach with the Prime Contractor. The review acknowledged the delay to the Systems Design Review milestone (now in progress) but that required plans, processes and resources are all in place for the project to meet Final Acceptance. A potential variation in project scope that may affect operations is being analysed, as well as two high risks requiring management that will impact on the design of the equipment going forward. The project will work to consolidate its risk register and finalise the Materiel Acquisition Agreement for effective reporting.

The **Medium and Heavy Vehicle Capability** project office is operating at a mature and stable state, effectively engaging stakeholders and appropriately managing the project's scope, schedule and budget. Initial Operational Capability was achieved in December 2019, and the project has made significant progress over the past 12 months including initial development of a performance based sustainment contract. The project is managing issues and risks by implementing mitigation strategies and pragmatic actions.

The **Air Warfare Destroyer** project is a critical maritime capability that has achieved significant outcomes to date, including the achievement of ship delivery and required materiel readiness and availability, and progress in Operational Test and Evaluation. **\$33 (a)(i), \$47E**

The review recommends the Hobart

Class Destroyer sustainment product become a Product of Interest.

Outcomes of the review for the **Commercial Vehicle Fleet** were still in draft at the time of publication of the Quarterly Performance Report.

Review of the **Pilot Training System** acknowledged the project's significant improvement since its last Independent Assurance Review, particularly noting the strengthening of relationships with stakeholders and the Contractor. Agreement of training objectives and any required remediation will need to be completed before project closure. The project will maintain its status as a Project of Interest until declaration of Initial Operational Capability, and will benefit from an enterprise approach to training and sustainment.

The **Protected Mobility Vehicle – Light (PMV-L) (Hawkei)** review emphasises the Capability Manager's commitment to the PMV-L capability. The project's management of the Contractor has seen positive results, but may face difficulty around the full rate production baseline budget and subsequent key milestones. The project will complete the full reliability testing program, but will remain a Project of Interest until at least the demonstration of sound full rate production.

The combined **Battlefield Airlift – Caribou Replacement** and **C-27J Battlefield Airlifter Weapon System** review highlighted a delay to signature and certification for a full Military Type Certificate. The board recommended a strategic review of the Structural Substantiation Program and s47E(d)

It was also recommended C-27J Battlefield Airlifter Weapon System should review the sustainment operating model to maximise aircraft availability and will remain a Product of Interest.

ADF Identification Friend or Foe and Automatic Dependant Surveillance has made steady progress over 2019, achieving Initial Operational Capability for the RBS-70 Air Defence System. However,

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schedule delays will impact individual ADF platforms' ability to operate in joint exercises, and there is limited opportunity to improve current schedules. Operational restrictions are being reviewed on a regularly basis to ensure project and stakeholder priorities are aligned. Defence will review the project's current status as a Project of Interest.

The review for **Maritime Operational Support Capability (MOSC)** tracked the project's progress of implementing recommendations from its previous Independent Assurance Review in May 2019. The review found that MOSC is being effectively managed, and project scope and requirements are well defined with an adequate budget. MOSC will maintain its status as a Project of Interest, but will be reassessed at its next Independent Assurance Review in the fourth quarter of 2020.

The **Armed Reconnaissance Helicopter (ARH)** sustainment product does not currently face significant capability issues arising from the change in demand to support the Raise Train Sustain cycle, and performance is largely meeting key performance target levels. Sustainment of the product capability is adequate against the revised level of demand. Review and confirmation of the sustainment system's ability to surge to support additional Rate of Effort will need to be considered. Removal of the product's status as a Product of Interest was recommended, however the Capability Manager delegate notes that the status reinforces the heightened and consistent attention and effort that the product requires.

The full Independent Assurance Review outcomes are available on request.

Continuous Improvement

All feedback is appreciated and where appropriate is incorporated into the next report.

This quarter, over the reduced activity period where December is a non-reporting month, the Quarterly Performance Report is produced using the November key performance indicators data. Financial data is at December 2019. To reduce the demand on line areas during the reduced activity period, the supplementary reference has not been produced.

With increased focus on Australian Industry Capability, over time it is anticipated that Australian Industry Capability information will be expanded in the quarterly performance report.

The Defence Enterprise Business Committee recently considered how the project and product performance reporting integrates within the overall enterprise reporting framework. There is a strong governance framework enabling the statutory and corporate Defence reports, enhanced with the inclusion of the Chief Information Officer and Estate and Infrastructure Group Quarterly Performance Reports. The framework can be viewed at Annex B.

Section 1 – Performance Overview

HMAS *Adelaide* sits at anchor awaiting acceptance of HMAS *Canberra's* landing craft during Talisman Sabre 2019.

III

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 has been steady at two projects of 126 post-second pass major capability projects. The Minister for Defence and the Minister for Defence Industry chaired a Projects of Concern summit on 3 December 2019 at Parliament House. Representatives from the respective companies and senior Defence officials attended the event.

Progress toward remediation

MRH Helicopters (AIR 9000 Phases 2, 4 and 6): The company is making a conscientious effort to be considered for removal from the Projects of Concern. The Commonwealth will continue to seek improvements in supply, repair and engineering support through the sustainment of the platform to meet the outcomes agreed in the capability acquisition.

Deployable Defence Air Traffic Management and Control System (AIR 5431 Phase 1): The

Commonwealth reaffirmed the company's commitment to deliver the Defence Deployable Air Traffic Management and Control System. **s47E(d)**

significant progress through substantial application of resources with the manufacture of the new radars and software, now largely complete.



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 metrics consistently indicate issues, senior stakeholders undertake a qualitative assessment of the data to determine entry to the Project or Products of Interest list.

There is one new Product of Interest Hobart Class Destroyer (DDG) (CN40) listed due to:



Two Projects and two Products of Interest have been assessed as ready for removal from the list: 1. Amphibious Ships (JP 2048 Phase 4A); 2. Enhancements to Special Operations Capability (JP 2097 Phase 1B); 3. Command and Control (EDLAN) (CA40) 4. Air Battlespace Management System (CAF14). As such these are their last Project/Product of Interest reports.

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There are a number of projects and products having achieved remediation objectives are considering removal from the list in the next quarter:

- Defence Satellite Communications Capability Program (JP 2008);
- ADF Identification Friend or Foe and Automatic Dependant Surveillance (AIR 90 Phase 1)
- Armidale Class Patrol boats (CN09); and
- Armed Reconnaissance Helicopters (CA12).





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CASG Domain Overview

Australian Industry Capability

Australian Industry participation has always been an important factor in delivering capability to the Australian Defence Force. The opportunities have varied over the years, reflecting the relative strengths of industry sectors, the value of the Australian dollar, and the nature of the capability investment dependant on the procurement type, for example, foreign military sales. Traditionally, the opportunities for Australian Industry lie in the asset's sustainment supply chain. There are also some standout Australian capability acquisition success stories such as the Redfin capability, Bushmaster, and CEA Technologies radar capabilities.

Supporting Defence capability is a demanding sector requiring rigorous design and development, security and production standards over extended time periods. The Joint Strike Fighter global supply chain is an example of this complexity. Many of the Australian companies that are now successfully participating in \$1.69 billion in contracts commenced the process more than 10 years ago.

The Government and Defence is focused on maximising opportunities for Australian Industry participation as a Fundamental Input to Capability. Now is the time to build on the earlier successes with the *Collins* support contracts, the F-35 global supply chain, and more recently the Boxer program's significant local footprint. Defence programs provide a clear opportunity to develop and strengthen local industry, including in regional Australia, to develop a sovereign capability to support the Australian Defence Force into the future.

Some of the largest and most complex Defence programs in history have begun, most of which are being built on-shore. The *Hunter* Class frigate and *Attack* Class submarine program Prime Contractors have engaged with over 2000 local companies in partnership with Defence to build a sustainable Australian industry base.

In support of building Australian Industry Capability, the Minister for Defence Industry opened the inaugural National Defence Industry Skilling and Workforce Summit on 6-7 November 2019 as part of the ongoing consultation between industry and across Government on defence industry workforce needs. The Summit brought together more than 100 defence skills industry leaders to discuss broad defence industry skill issues and workshop ways to help meet industry workforce needs. This was a key initiative of the 2019 Defence Industry Skilling and STEM Strategy which was released in February 2019.

Defence has a strong commercial base to mature the Australian Industry Capability (AIC) Program as these key projects and others progress. Defence will continue enhance Australian Industry Capability planning in the early stages of capability life cycle to optimise real opportunity for Australian companies. Defence is also strengthening the assurance process to ensure that the AIC commitments are being realised across the portfolio.

The AIC Program does not mandate a percentage (or content) of Australian Industry participation in a project or procurement. Rather, it focuses on maximising the opportunity for competitive Australian companies to meet Defence's capability needs. The supplementary reference¹ to the Quarterly Performance Report reports the percentage of AIC against the total project approval cost for the Key Acquisition Projects and Top 30 products. The following domain comments indicate there is significant level of Australian Industry participation as a Fundamental Input to Capability.

Air

Air Domain projects and products are delivering the required capability outcomes to plan, and are

¹ The Supplementary Reference to the December 2019 QPR is not published over the reduced activity period.

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managing some known and emergent risks. Specific achievements during the last quarterly reporting period include the delivery of an additional seven F-35A Joint Strike Fighter aircraft, delivery of the final two P-8A aircraft two years ahead of schedule, delivery of a C-27J fuselage trainer and transfer of a third F/A-18 Classic Hornet aircraft to Canada as part of ongoing disposal activities. The final Pilatus PC-21 Pilot Training System aircraft was accepted on 6 December 2019.

Air Domain continues to focus on improving the responsiveness of engineering support; spares and repair supply chains for s33(a)(i)

Northrop Grumman Australia is closely engaged with Defence to develop an enterprise 'get well' plan. Additionally, a Defence/Airbus **MRH 90 Multi-Role Helicopter** taskforce is addressing **533(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. Divisions are continuing to work closely with their Capability Managers and industry partners to manage these resource constraints to achieve the optimal capability, cost and schedule trade-offs at an acceptable level of risk.

Joint

Notwithstanding delays to some components, the **Satellite Communications Program** (JP 2008) has progressively introduced significant SATCOM capabilities. The Program is largely progressing to revised schedule in accordance with the programmatic plan agreed with the Capability Manager. Final Materiel Release for JP 2008 Phase 3F and satellite communications element of Middle East Region Communication and Information System Upgrade were achieved in November and December 2019 respectively.

The **Integrated Battlefield Telecommunications Network** (Land 2072 Phase 2B) continues to be delivered ahead of the re-baselined schedule, following earlier delays in delivery of Government Furnished Materiel. The project's performance levels are now exceeding requirements.

Defence continues to work on new contractual arrangements for the operation and maintenance of **Government owned munitions factories at Benalla and Mulwala**. The new commercial arrangements, including multi-tenancy at Benalla, will increase flexibility and surety of supply options for a range of Australian Defence Force munitions.

The mobilisation of a number of major Defence acquisition projects within South Australia is highlighting skill shortages within Defence industry. Industry capacity in the Joint Domain is under pressure as the companies involved in both the National Shipbuilding Enterprise and Joint areas seek to meet all their contract obligations. Capacity issues, particularly in systems engineering and integrated logistics, are causing delays in some projects, most notably 533(a)(i)

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Experience suggests industry workforce demand in specialist and STEM-related areas is outstripping supply, ahead of national strategies to address this.

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

- vendor and contract consolidation for sustainment and some acquisition;
- developing our sovereign industry capability; and
- increasing focus on 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.

Land

The second quarter of this financial year saw continued positive progress across a number of acquisition and sustainment activities, which was only possible through strong cooperation with the Capability Manager and very positive collaboration with Industry. This evolving dynamic will set the conditions for success in a number of projects that are approaching Second Pass approval. Strategic risks are receiving greater attention earlier in the capability life cycle and into sustainment through the expanded use of formal Strategic Relationship Boards, in which Industry are a key stakeholder.

A major milestone achieved during the quarter was the declaration of Initial Operational Capability by the Capability Manager for the acquisition of Medium and Heavy trucks and trailers (Land 121 Phases 3B and 5B), which occurred on schedule and within budget. For the delivery and support of the trucks, Rheinmetall has actively encouraged involvement from Australian small business and has been a responsive and cooperative partner. Haulmark Trailers Australia, a Queensland based company, has continued its proud tradition of supplying and supporting high quality trailers to the Australian Defence Force.

Another major milestone was the achievement of Initial Operational Capability for the Special Operations vehicles (JP 2097 Phase 1B). While behind schedule, the remediation strategy enacted 12 months ago has proven to be both robust and successful and will enable the delivery of this important capability for Army. This achievement would not have been possible without the close cooperation of CASG Land Domain, Supacat as the prime contractor, and the Capability Manager.

Work to improve the reliability of the Hawkei Protected Mobility Vehicles (Light) prior to entering into full rate production is progressing well and will continue to be a key focus for the remainder of 2019-20 financial year.

With regard to the Land 400 program, all elements are being impacted by both external and internal workforce pressures. **\$33 (a)(i), \$47G**

Three vehicles have now been delivered and are

currently undergoing test and evaluation activities.

Within Land 400 Phase 3, contracts for the Stage 2 Risk Mitigation Activity have been signed with shortlisted tenderers Hanwha Defense Australia and Rheinmetall Defence Australia. During November and December, debriefs were provided to the non-shortlisted tenderers.

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Maritime

Defence continues to make significant progress against the Government's 2017 Naval Shipbuilding Plan to deliver and sustain world-class naval capabilities and achieve the Government's ambitious agenda to transform our naval shipbuilding and sustainment industry.

Notable achievements over this quarter include:

- Chief of Navy declared the *Canberra* class amphibious ships had achieved Final Operational Capability on 4 November 2019, confirming Navy can meet the full scope of amphibious operations including Humanitarian Aid, Disaster Relief and Amphibious warfare.
- ASC Shipbuilding completed builder's sea trials of the third and final *Hobart* class air warfare destroyer prior to the ship being offered for acceptance sea trials and delivery in early 2020;
- HMAS *Brisbane*, the second air warfare destroyer, successfully completed her combat system qualification testing off the west coast of the United States;
- operational availability of the *Collins* class submarines continues at the highest levels ever achieved, exceeding international benchmarks;
- raising of the final section of the roof on the 55 metre tall ship construction hall as part of the new shipyard being constructed at Osborne South in South Australia to support the construction of the *Hunter* class frigates;
- the continued development by Civmec of the southern hemisphere's largest single undercover modularisation, repair and maintenance facility at Henderson in Western Australia – 10 of the 12 *Arafura* class offshore patrol vessels on order will be constructed in this facility commencing in April 2020;
- Luerssen Australia and ASC Shipbuilding continued construction of the first two *Arafura* class offshore patrol vessels on schedule at Osborne in South Australia; and
- Navantia commenced Harbour Acceptance Trials on the first of two *Supply* class replenishment ships.

While substantial progress is evident since the release of the Naval Shipbuilding Plan, Defence remains in the early stages of a transformation that requires further time and persistence of effort to fully implement the continuous naval shipbuilding and sustainment strategies.

The capability in the Australian supply chain that supports shipbuilding and ship sustainment is continually improving, reflecting gains being made in lifting Australian Industry Capability, regional capacity and indigenous engagement. The ever-growing maturity of the local industry skills base has also contributed measurable increases in materiel availability and reliability across Navy's in-service fleet. The development of a class agnostic regional maintenance centre concept is progressing with continued engagement with industry in Western Australia, the Northern Territory and Queensland. This will enable maritime sustainment both within Defence and in industry to better support the outputs of the continuous shipbuilding program.

Matching the supply of experienced workers to shipbuilding production schedules presents an ongoing risk facing the naval shipbuilding enterprise. While the key shipbuilding prime contractors retain responsibility for the commercial recruitment and retention decisions that they are best placed to make, Defence, assisted by the Naval Shipbuilding College and the relevant Government departments, both State and Federal, is playing an active role in facilitating the development of a coordinated and collaborative approach to workforce development and skilling.

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Defence is also conscious of the competition for skilled people within the broader workforce environment in which naval shipbuilding and sustainment operates in Australia, including competition from other large defence programs, national and state civil infrastructure projects, the mining and resources sector and advanced manufacturing industries. Considerable effort has also been given to the retention of shipbuilding skills and experience – not just in terms of total workforce numbers but in preserving proficient and experienced teams.

The increasing number of sustainment activities to be undertaken as Navy's fleet grows will also require additional industry resources. Defence is working with industry to provide more robust and transparent forecasts of future work to assist industry in understanding future requirements and position their workforce and facilities to meet those needs.

Overview of the Key Acquisition Projects

The key performance metrics in acquisition are capability, schedule and cost. Detailed project performance summaries are usually available in the supplementary reference to the Quarterly Performance Report. This quarter to reduce the demand on line areas during the reduced activity period, the supplementary reference has not been produced. Detailed project performance information is available in the Monthly Reporting System. Access for those with a need to know can be arranged on request.







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

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.

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Cost

Cost performance is on target for all Key Acquisition Projects.

Some projects report the possible need to access contingency to complete activities. A contingency provision is approved through a rigorous review process within the total project budget agreed by Government.

Overview of the Top 30 Sustainment Products

The key performance metrics are availability and cost. Detailed product performance summaries are usually available in the supplementary reference to the Quarterly Performance Report. This quarter to reduce the demand on line areas during the reduced activity period, the supplementary reference has not been produced. Detailed product performance information is available in the Sustainment Performance Management System. Access for those with a need to know can be arranged on request.

Availability



Changes since the last report are shown over page.

Table 2. Product Availability performance changes

s33 (q)(i)	
s33(a)(i)	
The number of s33(a)(i)	is tracking below target primarily due
to the s33(a)(i)	. The <mark>\$33(</mark> rate of effort
however is tracking above planned.	
s33(a)(i)	

Cost

Sustainment product budgets and year to date phasings are currently subject to a mid-year update to reflect actual activity to date this financial year. Notwithstanding there will be overspends and underspends in some products, full achievement of the Financial Year 2019-20 sustainment budget is forecast at this stage.

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Key Acquisition Project Dashboard

#	Project Number	Project Name	Year of Decision	ACAT Value	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
		AIR CAPAB	SILITIES					
		Aerospace	Systems					
-	AIR05077PH5A	AEW&C Interoperability Compliance Upgrade (Project of Interest)	2013	ACAT II	s33 (a)(i)	Red	Red	Green
2	AIR05349PH3	Growler Airborne Electronic Attack Capability	2013	ACAT II		Red	Green	Green
с	AIR07000PH1B	MQ-4C Triton Remotely Piloted Aircraft System	2014	ACAT II		Green	Green	Green
4	AIR07000PH2	P-8A Maritime Patrol and Response Aircraft (MPRA) System	2014	ACAT II		Green	Green	Green
5	AIR07403PH3	Additional KC-30A Multi-Role Tanker Transport (MRTT)	2015	ACAT III		Green	Green	Green
9	AIR08000PH2	Battlefield Airlift - Caribou Replacement	2012	ACAT II		Green	Red	Green
7	AIR06000PH2AB	New Air Combat Capability (Project of Interest)	2009	ACATI		Green	Green	Green
		Helicopter (Systems					
œ	AIR05428PH1	Pilot Training System (Project of Interest)	2015	ACAT II	s33 (a)(I)	Red	Green	Green
റ	AIR09000PH2, 4 & 6	Multi-Role Helicopter (MRH) 90 (Project of Concern)	2004	ACATI		Red	Red	Green
10	AIR09000PH7	Helicopter Aircrew Training System	2014	ACAT II		Green	Green	Green

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#	Project Number	Project Name	Year of Decision	ACAT Value	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
11	AIR09000PH8	Future Naval Aviation Combat System (MH-60R) Seahawk Romeo	2011	ACAT II	s33 (a)(i)	Green	Green	Green
		JOINT CAPA	ABILITIES				•	
		Joint Sys	stems					
12	AIR02025PH6	Jindalee Operational Radar Network (JORN)	2017	ACAT II	s33 (a)(i)	Red	Red	Green
13	AIR05431PH3	Civil-Military Air Traffic Management System (CMATS) (Project of Interest)	2014	ACATI		Red	Red	Green
14	JNT00090PH1	ADF Identification Friend or Foe and Automatic Dependant Surveillance - Broadcast (Project of Interest)	2016	ACAT II		Red	Red	Green
15	JNT02008PH5A	UHF SATCOM (Project of Interest)	2009	ACAT II		Green	Red	Green
16	JNT02008PH5B2	Satellite Ground Station - East and Wideband SATCOM Network Management (Project of Interest)	2017	ACAT III		Green	Green	Green
17	JNT02072PH2A	Battlespace Communications Systems (Land)	2011	ACAT III		Green	Red	Green
18	JNT02072PH2B	Battlespace Communications System (Land) [BCS(L)]	2015	ACATI		Red	Red	Green
19	LND0200PH2A	Battle Command Systems (Tranche 2) (Project of Interest)	2017	ACATI		Red	Red	Green

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#	Project Number	Project Name	Year of Decision	ACAT Value	Materiel Capability / Scope	Materiel Schedule IOC	Materiel Schedule FOC	Cost
20	SEA01442PH4	Maritime Communications Modernisation	2013	ACAT II	s33 (a)(i)	Red	Red	Green
		LAND CAPA	ABILITIES					
		Land Sy	/stems					
21	LND00053PH1BR	Night Fighting Equipment Replacement	2016	ACAT III	s33 (a)(i)	Green	Green	Green
22	LND00121PH3B	Medium and Heavy Capability	2007	ACATI		Green	Green	Green
23	LND00121PH4	Protected Mobility Vehicle - Light (PMV-L) (Project of Interest)	2015	ACATI		Red	Green	Green
24	LND00121PH5	Tactical Training Vehicles		ACATI		Green	Green	Green
		Armoured	Vehicles					
25	LND00400PH2	Mounted Combat Reconnaissance Capability (MCRC)		ACATI	s33 (a)(i)	Green	Green	Green
		MARITIME CA	PABILITIES					
		Maritime :	Systems					
26	JNT02048PH3	Amphibious Watercraft Replacement	2011	ACAT III	s33 (a)(I)	Red	Red	Green
27	JNT02048PH4A	Amphibious Ships (Project of Interest)	2007	ACATI		Red	Red	Green
		Ship	0S					
28	SEA01180PH1	Offshore Patrol Vessel	2017	ACAT II	s33 (a)(I)	Green	Green	Green

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Cost	Green	Green	Green	Green	Green		Green	Green	Green	Green	Green
Materiel Schedule FOC	Green	Green	Green	Red	Not Rated		Not Rated	Not Rated	Green	Green	Green
Materiel Schedule IOC	Red	Green	Red	Green	Not Rated		Not Rated	Not Rated	Green	Red	Green
Materiel Capability / Scope	s33 (a)(i)						s33 (a)(i)				
ACAT Value	ACAT II	ACAT II	ACAT II	ACATI	ACATI		ACATI	ACAT III	ACAT III	ACAT II	ACAT II
Year of Decision	2017	2016	2016	2007	2018	rines	2016	2000	2016		
Project Name	ANZAC Air Search Radar Replacement	Maritime Operational Support Capability (Project of Interest)	Pacific Patrol Boat Replacement	Air Warfare Destroyer Program	Future Frigate - Design and Construction	Subma	Future Submarine Design and Construction - Program Design and Mobilisation stage	Submarine Escape Rescue and Abandonment System (SERAS)	Collins Submarine Platform Systems Improvements (Collins Reliability and Sustainability)	Collins Class Communications and Electronic Warfare Improvement Program	Collins Sonar Capability Assurance Program
Project Number	SEA01448PH4B	SEA01654PH3	SEA03036PH1	SEA04000PH3	SEA05000PH1		SEA01000PH1B	SEA01354PH1	SEA01439PH3	SEA01439PH5B2	SEA01439PH6
#	29	30	31	32	33		34	35	36	37	38

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Top 30 Sustainment Product Dashboard

							Ö	st
#	Product No	Product Name	MS-CAT Value	Introduction Into Service	Planned Withdrawal Date	Availability	Year to Date	Year End
			A	IR CAPABILITIES				
			A	erospace Systems				
1	CAF02	F/A-18A/B Classic Homet	MSCAT II	1985	2022	s33 (a)(i)	Red	Red
2	CAF03	Lead-In Fighter Hawk Weapon System	MSCAT III	2000	2025		Red	Green
з	CAF06	C130J-30 Weapon System	MSCAT III	1999	2030		Red	Red
4	CAF19	C-17 Heavy Air Lift Weapons System	MSCAT III	2006	2036		Red	Red
5	CAF20	E-7A Wedgetail Airbome Early Waming and Control system	MSCAT II	2009	2039		Green	Amber
9	CAF21	F/A18F Super Hornet Weapon System	MSCAT II	2010	2030		Red	Green
7	CAF22	KC-30A Weapon System	MSCAT II	2011	2031		Amber	Red
ω	CAF30	Joint Strike Fighter (JSF)	MSCATI	2014	2052		Red	Green

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4	Constant No.		MC CAT Victor	Introduction Into	Planned Withdrawal	Attended to the second	ö	st
*	Product NO		Mo-CAL Value	Service	Date	Availability	Year to Date	Year End
6	CAF34	C-27J Battlefield Airlifter Sustainment (Product of Interest)	MSCAT III	2016	2037	s33 (a)(i)	Amber	Red
10	CAF35	P8 Poseidon	MSCAT II	2016	2051		Red	Green
			He	elicopter Systems				
11	CA12	Armed Reconnaissance Helicopter Weapon System (Product of Interest)	MSCAT II	2004	2028	s33 (a)(i)	Red	Red
12	CA48	Multi Role Helicopter (MRH90) (Product of Interest)	MSCAT II	2002	2040		Red	Green
13	CN35	MH-60R Seahawk Romeo Weapon System	MSCAT II	2014	2048		Red	Green
14	CAF37	Pilot Training System	MSCAT II	2017	2042		Green	Amber
			Ōſ	INT CAPABILITIES Joint Systems				
15	CAF12	Air Traffic Management (Product of Interest)	MSCAT II	1982	2023	s33 (a)(i)	Red	Red
16	CAF13	Wide Area Surveillance	MSCAT II	2003	2025		Red	Red
17	CA59	Army Munitions & Guided Weapons (Product of Interest)	MSCAT III	Multiple	Multiple		Red	Green

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\$	Droduct No	Product Namo	MS CAT Value	Introduction Into	Planned Withdrawal	Avilability	ö	st
ŧ				Service	Date		Year to Date	Year End
18a	CAF32	Explosive Ordnance Air Force Munitions	MSCAT III	Multiple	Multiple	s33 (a)(I)	Red	Red
18b	CAF33	Explosive Ordnance Guided Weapons	MSCAT III	Multiple	Multiple		Red	Red
19	CN54	Navy Explosive Ordnance (Product of Interest)	MSCAT II	Multiple	Multiple		Red	Red
20	CJC01	Explosive Ordnance Manufacturing Facilities	MSCAT II	Multiple	Multiple		Green	Red
21	CA31	Battlespace Communication Systems	MSCAT III	1989	2020		Red	Amber
22	CA40	Command and Intelligence Systems (Product of Interest) new	MSCAT II	2000	2021		Amber	Not Rated
			LA	ND CAPABILITIES Land Systems				
23	CA19	Commercial Vehicles Fleet	MSCAT III	Multiple	2021	s33 (a)(i)	Red	Green
24	CA39	ADF Clothing	MSCAT II	Multiple	2099		Red	Green

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st	Year End			Green	Amber	Green	Green	Green		Green
Ö	Year to Date			Red	Red	Red	Red	Red		Red
Auto Holling	Availability			s33 (a)(I)						s33 (a)(i)
Planned Withdrawal	Date			2032	2054	2052	Multiple	Multiple		2030
Introduction Into	Service	TIME CAPABILITIES	laritime Systems	1996	2014	2017	Multiple	Multiple	Submarines	1996
MC CAT Victure	Mo-CAL Value	MARI	M	MSCAT II	MSCAT I	MSCAT I	MSCAT III	MSCAT		MSCATI
Current Monte	Product Name			Anzac-Class Frigate (FFH)	Canberra Class Landing Helicopter Dock (Product of Interest)	Hobart Class Destroyer (DDG) (Product of Interest)	Sustainment of Hydrographic Capability	Maritime Cross Platform		Collins Class Submarine
Decidinat No.	Product NO			CN02	CN34	CN40	CN46	CN49		CN10
4	\$			25	26	27	28	29		30

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Section 2 – Projects of Concern



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 positively work together to establish a pragmatic remediation path, with the objective of returning the project to the usual management framework.

Under the reporting framework, 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 and 6), and
- 2. Deployable Defence Air Traffic Management and Control System (AIR05431PH1).


Image: The aviation support team on board HMAS Choules conducts routine maintenance to the embarked MRH-90 Multi Role Helicopter as the ship sails to take part in the commemoration of the Australian-led International Force East Timor, on 17 September 2019.

1. Multi-Role Helicopter (MRH90) (AIR09000PH2, 4 and 6)

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

The project was declared a Project of Concern in November 2011 due to poor engine reliability and technical issues, and low availability rates impacting operational capability. There is an ongoing inability to meet capability delivery milestones and performance criteria.

Initial issues integrating the Electronic Warfare Self Protection system are resolved and the aircraft is available for operations with an appropriate risk assessment. The sustainment system, under the corresponding product (CA48) is not yet achieving the approved level of capability and is being managed as a Product of Interest. The aircraft replace Army Blackhawk and Navy Sea King helicopters and delays to the MRH90 program impact the sustainment of the existing helicopter fleet. The Black Hawk fleet has been extended to 2022.

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

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

Progress and emerging issues in	A Project of Concern Summit was held with the Minister for Defence and Minister for Defence Industry on 3 December 2019.
summary	Enhanced Cargo Hook System Initial Qualification industry activity is complete. Qualification
	approval by the German National Qualification Organisation was achieved by the end of 2019.
	Service release is expected in mid-2020.

Key issue	Enhanced Cargo Hook System service release.
Remediation	Complete engineering investigation to allow resolution of the Enhanced Cargo Hook System design issue, closure of the initial qualification review, gain approval by the German National Qualification Organisation and retrofit of the manufactured systems.
Forecast	Service release of the Enhanced Cargo Hook System is expected in mid-2020.
achievement	
Risks and impacts to	Schedule risk remains high and is being actively managed. There are limited opportunities to
Capability, Schedule	recover schedule. Delays are not impacting direct costs to Commonwealth.
and Cost	
Constraints	Enhanced Cargo Hook System Endurance testing is complex and time consuming to ensure a safe and effective product. This must be completed to achieve closure of the initial qualification review and resubmit the design data-pack for approval by the German National Qualification Organisation.

Key issue	s33(a)(i)
Remediation	s33(a)(i)
Forecast achievement	s33(a)(i)
Risks and impacts to Capability, Schedule and Cost	The schedule to achieve Final Materiel Release is under pressure due to the number and complexity of the supplies to be delivered. \$33(a)(i) The remaining requirements to meet Final Materiel Release will be funded within the project budget
Constraints	Multi-Role Helicopter Program Workforce, retaining the right people to achieve the required rate of acquisition deliverables. Detailed workforce planning is ongoing to ensure that remaining activities can be resourced through ADF, APS or contracted means.

Removal criteria When the Project was originally made a Project of Concern in 2011, poor levels of supportability was cited as a key concern. From 2016-2018, the support and performance of the platform was sufficiently acceptable to not be flagged as an outstanding closure criteria. The platform's supportability is also being managed as a Product of Interest through CA48. However, at the Project of Concern summit held in December 2019, Ministers communicated to Industry that the recent poor performance and low supportability was unacceptable and may again be considered as a criteria for removal.

The remaining items required for Special Operations Capability are being closely managed outside of the Project of Concern remediation.

Capability	Schedule						Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$3,775m
	Approved	05 Dec 2014	27 Feb 2015	Dec 2017	Jul 2019	Spend to Date	\$3,254m
	Forecast	Achieved	Achieved	July 2021	Dec 2021	RCI/RCD?	No

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Image: Engineers conducting a test on the AIR05431PH1 radar system in a specialised chamber. The radar forms part of the Deployable Defence Air Traffic Management and Control System.

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

The project will provide three deployable Defence Air Traffic Management and Control Systems through the prime contractor Indra Australia, with the majority of the mission system provided by parent company Indra Sistemas.

The project was declared a Project of Concern in Augus s47G	t 2017 due to significant schedule delays.
s33(a)(i), s47E(d), s47G	
s33(a)(i)	

Benefits Realisation	
s4/G	

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Deployable Defence Air Traffic Management and Control System (AIR05431PH1)



Removal criteria s33(a)(i)

Capability	Schedule						Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$96.7m
	Approved	Dec 2017	Aug 2018	Jan 2019	Aug 2019	Spend to Date	\$32m
	Forecast	Mar 2022	May 2022	Sep 2022	Apr 2023	RCI/RCD?	No

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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.



Project of Interest Reports

Acquisition projects with issues and risks raised against schedule, cost, and/or capability performance that warrant heightened internal 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 15 Projects of Interest, listed in order of ACAT rating.

No.	Project Name (Number)	ACAT	First reported
		Rating	as a Project of
			Interest
1	Amphibious Ships (JNT02048PH4A)	I	March 2017
2	New Air Combat Capability (AIR06000PH2AB)	1	June 2017
3	Civil-Military Air Traffic Management System (AIR05431PH3)	1	June 2018
4	Battlefield Command System (LND0200PH2)	1	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)	11	March 2019 ²
9	Airborne Early Warning and Control Interoperability Compliance Upgrade (AIR05077PH5A)	II	December 2018
10	Maritime Operational Support Capability (SEA01654PH3)	11	December 2018
11	Jindalee Operational Radar Network (AIR02025PH6)	II	September 2019
12	Enhancements to Special Operations Capability (JNT02097PH1B)	111	March 2017
13	Rapid Environmental Assessment (JNT01770PH1)	111	March 2017
14	C-130J Block Upgrade (AIR05440PH1)		September 2018
15	Fixed Defence Air Traffic Control Surveillance Sensors (AIR05431PH2)	111	December 2018

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

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Image: HMAS Adelaide transits off the coast of Newcastle at sunset during a Shakedown period, on 4 August 2017.

1. Amphibious Ships (JNT02048PH4A)

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

The project was declared a Project of Interest in March 2017 due to substantial materiel and Integrated Logistic Support deficiencies identified with HMAS *Canberra* and HMAS *Adelaide* upon delivery. The defects required rectification work to complete final acceptance, which delayed Final Materiel Release and resulted in a 37-month delay to Final Operational Capability.

The Final Operational Capability milestone was declared by Chief of Navy on 4 November 2019, confirming that the Landing Helicopter Dock capability is able to deploy the full scope of amphibious operations including Humanitarian Aid, Disaster Relief and Amphibious warfare.

Operational availability of the vessels has been restored is now being delivered, with 100 per cent availability achieved over the last 12 months, and the platforms have completed a number of high tempo Operational deployments over the period. Effort is continuing with finalising configuration remain, with and the progression of redesign and remediation work progressing. Upgraded major systems will be installed during scheduled dockings in late 2020 and 2021, resolving the key systems experiencing deficiencies to bring the platform up to full capability.

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Amphibious Ships (JNT02048PH4A)

Progress and
emerging issues in
summaryWork continues on the closure of the acquisition contract outstanding
materiel and Integrated Logistic Support issues and the commercial
settlement of defect claims. Rectification work continues subject to platform
availability.



Removal criteria

With achievement of Final Operational Capability s33 (a)(i) it was recommended by the October 2019 Independent Assurance Review that the project be removed

from the Project of Interest list. s33 (a)(i)

Capability		Schedule	e				Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$3,092m
	Approved	28 Feb 2014	31 Dec 2014	31 Aug 2015	31 Nov 2016	Spend to Date	\$2,848m
	Forecast	Achieved	Achieved	Achieved 18 Oct 2019	Achieved 4 Nov 2019	RCI/RCD ?	No

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Image: A Squadron Leader from 3 Squadron climbs into an F-35A Joint Strike Fighter for his first flight following transition training at RAAF Base Williamtown.

2. New Air Combat Capability (AIR06000PH2A/B)

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 72 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.

The project was listed as a Project of Interest in June 2018 due to the importance of the project and issues identified that could delay Initial Operational Capability. s33(a)(i)

he project is expected to achieve Initial

Operational Capability in December 2020 as planned. Nevertheless, senior management oversight will continue to be warranted.

The key issue facing the project is continuing to face is the suspension of Turkey from the F-35 Partnership and determining how it will impact the Australian program.

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	New Air Combat Capability (AIR06000PH2A/B)
Progress and emerging issues in summary	 New Air Combat Capability (AIR06000PH2A/B) The first F-35A aircraft commenced service in Australia in December 2018. On 11 December 2019, seven F-35 aircraft arrived at RAAF Williamtown. This ferry event has bolstered the fleet from six to 13 aircraft at Williamtown. As of 13 December 2019, Australia has accepted 18 aircraft – 13 based in Australia and five based in the United States. The project continues to make progress towards establishing an Initial Operational Capability in December 2020, including: 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:
	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.
	squadrons and one training squadron, and complete delivery of materiel and supporting services.

Turkey's removal from the F-35 Program

Key issue	Due to taking delivery of the Russian S-400 air defence system, Turkey have been suspended from the global F-35 program, pending full removal. As Turkey is a manufacturer of a number of parts for the F-35, there is potential to impact the program through part supply issues once Turkey has been fully removed.
Remediation	Lockheed Martin and Pratt and Whitney have been proactively setting up alternative sources of supply, initially from United States industry, for parts manufactured in Turkey for a number of months.
Forecast	The F-35 Joint Program Office is forecasting that it will take until March 2020 before
achievement	the alternative supply sources are functioning at a rate to remove any risk of disruption to the F-35 supply chain.
Risks and impacts to	Risk to Australian aircraft deliveries is negligible, with no impact on achievement of
Capability, Schedule and Cost	schedule milestones or capability. There may be minor costs associated with Turkey's removal but they are not significant.
Constraints	The removal of Turkey is a decision by the United States government and the details of when and how the removal is to occur are to be determined by the F-35 Joint Program Office and the United States government.

Removal criteria Due to the financial scale of AIR6000 Phase 2A/B and the complexity of the major supporting elements, it has been labelled a Project of Interest. The classification will likely remain until the vast majority of the acquisition has been completed.

Capability	Scheo	dule				Cost	
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$17,154 m
	Approved	Dec 2020	Dec 2020	Dec 2023	Dec 2023	Spend to Date	\$5,546 m
	Forecast	Dec 2020	Dec 2020	Sept 2023	Sept 2023	RCI/RCD?	No

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Image: New Air Traffic Control Tower, which is part of AIR5431 Phase 3 delivery.

3. Civil-Military Air Traffic Management System (AIR05431PH3)

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.

CMATS was a Project of Concern during contract formation activities on the basis of schedule delays and cost risks, and was reverted to Project of Interest after contract signature in February 2018. In part, the decision to remain a Project of Interest was influenced by the need for Airservices to negotiate with Thales after contract signature to implement cost saving changes agreed with Defence.

In December 2018, Airservices and Defence had agreed some last minute changes to how Defence functionality would be delivered to reduce cost on the program: removal of CMATS tower functionality at Gin Gin, Richmond, Edinburgh and Oakey; relocation of the Approach functionality at Darwin and Townsville to Brisbane; and relocation of Oakey Approach functionality to Amberley. A separate Airservices contract would deliver a derivative of their low cost regional towers solution to Defence sites at Gin Gin, Richmond, Edinburgh and Oakey.

The contract changes required with Thales were considerable, but are now complete and have resulted in schedule delays of approximately six months to Defence's Initial and Final Operational Capability milestones.

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Civil-Military Air Traffic Management System (AIR05431PH3)

Defence continues to work closely with Airservices to incorporate collaboration options into the Progress and Program. This significant effort is now nearing completion. Some work remains to update emerging issues in agreements with Airservices on non-CMATS scope changes, such as the delivery of the Four summary Alternate Tower Systems and remote communications for Townsville and Darwin approach consolidation to Brisbane Centre. Government has now been updated on the six-month slippage to Initial and Final Operational Capability. Work is underway to reflect these changes in the Materiel Acquisition Agreement. CMATS Preliminary Design Review commenced 31 October 2019 and was successfully completed in December 2019, with a list of action items to be completed in early 2020. Key issue Schedule performance to meet program milestones. Remediation Integrated Baseline Review commences on 11 December 2019 and will continue into Quarter 1 2020. The Integrated Baseline Review will analyse the remediation strategies Thales has adopted based on the Schedule Compliance Risk Assessment Methodology review held Quarter 1 2020. Incorporation of the Defence collaboration options resulted in an approximate six-month delay to Initial and Final Operational Capability. Defence is working with Airservices and Thales to mitigate schedule risks in the remaining development program, as well as optimising activities to improve schedule performance. Activity complete in Quarter 1 2020. Forecast achievement Defence assesses low risk in delivery of the required capability. Additionally, cost risk is largely Risks and impacts to mitigated by the fixed price agreement between Defence and Airservices. Schedule Capability, Schedule performance is crucial on this program due to the large number of interrelated activities and Cost requiring integration. Accordingly, Defence is working very hard with Airservices and Thales to mitigate schedule risks. In order to meet milestone timelines, some technical debt will be held until Critical Design Constraints Review milestone, forecast for April 2020. This is a manageable approach commonly used in complex developmental programs.

Key issue Remediation

Forecast achievement Risks and impacts to Capability, Schedule and Cost Constraints



A positive recommendation by an Independent Assurance Review board based around Removal criteria is likely to be a pre-requisite for removal as a Project of Interest.

Capabilit	y	Schedule	•				Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$977m
	Approved	23 Mar 2023	06 Jul 2023	06 Jul 2023	21 Apr 2026	Spend to Date	\$305m
	Forecast	23 Mar 2023	06 Jul 2023	20 Feb 2026	21 Apr 2026	RCI/RCD?	Yes, increase of \$243m approved in February 2018

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Image: Major elements of the Battlefield Command System

4. Battlefield Command System (LND0200PH2)

The project will expand and evolve the Army's Battle Management System - Command and Control and supporting Tactical Communications Network from Battle Group to Brigade and above deployable 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.

The project was listed as a Project of Interest in September 2018 due to s47E(d)

s33(a)(i)

The delay is due to a combination of additional time to establish new contracts for platform integration, Defence's inability to provide government

furnished platforms, material and data from interdependent projects that are in separate, but parallel development schedules which do not fully align; and a five-month delay to the contracted Tactical Communications Network design review schedule.

The Capability Manager Steering Group considered these issues in September 2019 where project recovery options were presented and endorsed. The endorsed plans include additional resources to strengthen program governance s33(a)(i)

It is currently assessed that s33(a)(i)

not impact scope of the project and will remain within the schedule approved by Government

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Battlefield Command System (LND0200PH2)





Removal criteria A positive recommendation from the Independent Assurance Review Board that the Project's quality, cost and schedule are under control and within directed tolerances.

Capability		Schedule		Cost
s33 (a)(i)	Milestone	IMR	s33(a)(i) Total Budget	\$974m
	Approved	30 Sept 2020	Spend to Date	\$433m
	Forecast	6 Jun 2022	RCI/RCD	? No

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Image: Hawkei undergoing water fording testing.

5. Protected Mobility Vehicle – Light (LND00121PH4)

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, usability 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.

The project was listed as a Project of Interest in December 2018 due to vehicle reliability issues, and the engine manufacturer entering into voluntary administration. The project has a 12-month delay to Initial Operational Capability.

The Commonwealth has accepted the Initial Materiel Release quantities of Hawkei mission systems, comprising 138 vehicles and 138 companion trailers. Progression to Full-Rate Production has been delayed pending resolution of the residual vehicle reliability issues. While reliability issues have proved challenging, they are a foreseeable consequence of a developmental acquisition contract to provide a light protected mobility vehicle specifically engineered for the Australian Defence Force. The Commonwealth has convened five Strategic Relationship Board meetings with Thales between November 2018 and October 2019 to address these challenges.

Defence continues to engage Thales to ensure vehicle reliability is satisfactorily addressed prior to entering into Full-Rate Production

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Protected Mobility Vehicle – Light (LND00121PH4)

Progress and	The Production Reliability Acceptance Test commenced on 13 May 2019. The
emerging issues in	Strategic Relationship Board confirmed Thales had implemented fixes for all
summary	outstanding failures and the Hawkei predicted level of reliability met the contracted
	requirement. Over 60 per cent of the total test distance has now been completed.
	An Independent Assurance Review into the Hawkei program was conducted on 21 November 2019. The key findings were that the governance framework applied to the Project is ensuring stakeholder engagement at the appropriate levels, and the plan to complete the Production Reliability Acceptance Test is sound. It was recommended that it remain a Project of Interest until Full-Rate Production has commenced

Key issue	Hawkei vehicle reliability issues.
Remediation	Successfully complete Acceptance Testing.
Forecast	Forecast to be completed by Quarter 2 2020.
achievement	
Risks and impacts to	The successful completion of Production Reliability Acceptance Test is a key
Capability, Schedule	enabler for entry into Full-Rate Production. If the testing is not completed by Quarter
and Cost	2 2020, there may be a consequential delay in the delivery of the Hawkei capability
	to Defence.
Constraints	Vehicle reliability must be satisfactorily addressed prior to entering into Full-Rate
	Production.

Key issue	Delivery of the Hawkei Support System.
Remediation	The ongoing reliability issues have impacted the vehicle design, which has delayed the development of the Hawkei Support System. Hawkei Maintainer Training is underway, and Operator Training recommenced in November 2019. Thales has increased its Integrated Logistic Support staff to deliver the Hawkei Support System to meet the contracted requirement.
Forecast	Quarter 4 2020.
achievement	
Risks and impacts to	Schedule risk remains medium against the revised Initial Operational Capability date
Capability, Schedule	and is being intensively managed.
and Cost	
Constraints	The Hawkei Support System cannot be finalised until the Production Reliability Acceptance Test is successfully completed, and the vehicle baseline finalised.

Removal criteria	Upon a successful completion of the Production Reliability Acceptance Test
	and a positive recommendation by a future Independent Assurance Review
	board for lifting the Project of Interest status.

Capability		Schedu	ule				Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total	\$1,999m
						Buaget	
	Approved	31 May	31 Dec	31 Dec	30 Jun	Spend to	\$719m
		19	19	21	23	Date	
	Forecast	18 May 20	3 Dec 20	6 Dec 21	9 Jun 23	RCI/RCD?	No

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Image: A formation flypast of Pilatus PC-21 aircraft at RAAF Base Point Cook, on 4 October 2019

6. Pilot Training System (AIR05428PH1)

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.

The project was listed as a Project of Interest in September 2017 due to delays in Courseware development and Flight Training Device verification. s33(a)(i)

Defence has worked closely with Lockheed Martin Australia to achieve the commencement of flying training in January 2019. s33(a)(i), s47E(d)

The contractor has

delivered courseware to support ab-initio pilot and Qualified Flying Instructor training. This courseware has been verified, and a planned remediation cycle to address identified shortfalls is underway. This remediation of deficiencies found with the initial courseware delivery is expected to continue until at least Quarter 2 2020. An Independent Audit Review of the project occurred in November, recommending that that the project remain a Project of Interest until Initial Operational Capability is declared.

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Pilot Training System (AIR05428PH1)

Progress and emerging issues in summary The Flight Training Devices (simulators) have been delivered on schedule and are used to support flying training. The system has had a number of shortfalls that have required some training to be completed in the aircraft. Remediation of these shortfalls continues with a recently completed qualification activity. This has enabled the simulator to receive an updated Installation Operating Permit. Significant improvements have been noted in malfunctions, Instrument Rating Test capabilities, and Overall visual performance. Further tuning is taking place to improve the system landing and circuit capabilities. s33(a)(i)

Due to the overall maturity of the courseware, simulators and to a lesser extent other elements of the Pilot Training System, there remains an increased workload for the Air Force Qualified Flight Instructors to achieve on schedule course delivery. This workload is being reduced through system improvements and it is expected to decrease throughout the first half of 2020.

Pilot Training System Validation is being undertaken by **\$47G** to ensure the overall performance of the Pilot Training System meets the requirements of the Australian Defence Force to achieve pilot training. Results from the validation activity are expected to be incrementally delivered by Quarter 3 2020

Key issue	Ongoing delays in Courseware development and simulator qualification. These systems will meet a satisfactory standard, post the original date for Initial Operational Capability.
Remediation	Remediation of courseware and simulators is continuing, with delivery of courseware and all simulators completed. Remediation activities are expected to continue until mid-2020 with an improvement of the overall performance of the Pilot Training System and reducing Qualified Flying Instructor workload to occur in that timeframe.
Forecast achievement	Final Acceptance is scheduled for December 2020.
Risks and impacts to Capability, Schedule and Cost	Despite present training system element delays, the project is expected to be delivered within the approved budget.
Constraints	The Pilot Training System can generate trained pilots. However the virtual training requires additional resources to complete the training until the courseware and simulator shortfalls are remediated.

Removal criteria Achievement of Initial Operational Capability.

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$1,268m
	Approved	30 Jun 2017	31 Mar 2019	30 Nov 2021	31 Dec 2021	Spend to Date	\$901m
	Forecast	Achieved	30 Apr 2020	4 Nov 2021	15 Dec 2021	RCI/RCD?	No

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

The Identification Friend or Foe upgrade will upgrade legacy Australian Defence Force platforms that have military Mode 4 Identification Friend or Foe and civilian Secondary Surveillance Radar systems. The new Mode 5 Identification Friend or Foe capability will retain combat identification interoperability with the United States (US) and North Atlantic Treaty Organization (NATO) allied forces and civilian Secondary Surveillance Radar systems. The new Radar capabilities for enhanced air traffic control reporting.

Each platform has design/ test, installation and contracting complexities and Defence Industry arrangements:

SEA: Standalone system upgrade - low complexity (Australia Prime with local suppliers)

LAND: Partial system integration upgrade - medium complexity (Australia Primes, with minor dependencies on US and Swedish supplies)

AIR: Full system integration upgrade - high complexity (Australian Primes, with high dependence on European suppliers). There is international demand for platform upgrade Mode 5 The Identification Friend or Foe and Secondary Surveillance Radar materiel sourced from European original aircraft manufacturers.

The project was listed as a Project of Interest in September 2016 s33(a)(i)

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ADF Identification Friend or Foe and Automatic Dependent Surveillance Broadcast (JNT00090PH1)



Capability		Schedule				Cost	
s33 (a)(i)	Milestone	IMR	s33(a)(i)	FMR	s33(a)(i)	Total	\$438m
						Budget	
	Approved	-		-		Spend to	\$181m
						Date	
	Achieved	-		-		RCI/RCD?	No

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Image: Satellite Communications Capability Ground Station near Geraldton Western Australia.

8. Defence Satellite Communications Capability Program (JP2008)

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

Satellite Ground Station – West (SGS-W) (JP2008PH3F); Wideband Global SATCOM (JP2008PH4); 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).

Wideband Global SATCOM (JP2008PH4) has one remaining element, which is being delivered by Defence Science and Technology Group. The installation of the research facility at Edinburgh, South Australia, is expected to be complete by Quarter 2 2020. This element was approved in 2017 and Defence Science and Technology Group is the lead organisation for this remaining element.

Defence Satellite Communications Capability Program was listed as a Program of Interest in March 2019 after an Independent Assurance Review Board recommendation and Senior Management consideration at the Investment Committee due to delays to a number of phases.

The program has had varying delays to achieving Final Operational Capability.

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Defence Satellite Communications Capability Program (JP2008)

The various phases of JP2008 have progressively introduced significant SATCOM capabilities Progress and including two military hosted payloads on commercial satellites, a military satellite as part of the emerging issues in United States Wideband Global SATCOM system, SATCOM ground infrastructure at various summary locations, SATCOM deployed terminals for the Services, and SATCOM network management capabilities. Of the remaining phases, despite significant progress, five phases have suffered delays to varying levels. The revised schedules have been advised to Government. All project schedules are now stable and progressing towards completion within the revised delivery timelines. Key issue Remediation Forecast achievement Risks and impacts to Capability, Schedule and Cost Constraints Ultra High Frequency SATCOM (Phase 5A) Key issue Whilst the majority of the capability has been delivered and is operational, s33

Remediation	s47E(d), s47G, s33(a)(i)
Forecast achievement	s33(a)(i)
Risks and impacts to Capability, Schedule and Cost	s33(a)(i)
Constraints	s47E(d), s33(a)(i)

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Key issue	Wideband Transportable Land Terminals (Phase 5B1.1) Whilst the majority of the capability, including all the terminals, has been delivered and is operational, s33(a)(i)
Remediation	s33(a)(i) The terminals are continuing to be used under the accreditation authority.
Forecast achievement	s33(a)(i) and the final elements are progressing to a revised schedule. Final Operational Capability is now forecast for Quarter 4 2021.
Risks and impacts to Capability, Schedule and Cost	s33(a)(i) The project is expected to be completed within approved budget including contingency.
Constraints	s33(a)(i)





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ADF SATCOM Terrestrial Enhancements (JNT02008PH3F)

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	s33(a)(i)	Total Budget	\$101m
	Approved	Apr 2018	N/A	Nov 2019		Spend to Date	\$83m
	Forecast	Achieved	N/A	Achieved		RCI/RCD?	No

UHF SATCOM (JNT02008PH5A)

Capability		Schedule				_	Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	s33(a)(i)	Total Budgot	\$422m
	Approved	Jul 2012	Jul 2012	May 2015		Spend to Date	\$374m
	Forecast	Achieved	Achieved	Dec 2020		RCI/RCD?	No

Wideband Transportable Land Terminals (JNT02008PH5B1)

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	s33(a)(i)	Total	\$207m
						Budget	
	Approved	Apr 2016	Jul 2016	Aug 2017		Spend to	\$184m
						Date	
	Forecast	Achieved	Achieved	Dec 2020		RCI/RCD?	No

Combined Communications Gateway Geraldton (JNT02008PH5B1.2A)

Capability		Schedul	е				Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	s33(a)(i)	Total	\$58m
						Budget	
	Approved	Mar 2021	Jun 2021	Jun 2022		Spend to	\$11m
						Date	
s33 (a)(i)	Forecast	Mar 2021	Jun 2021	Jun 2022		RCI/RCD?	No

MASTIS Terminal Upgrade (JNT02008PH5B1.2B)

Capability	_	Schedule			Cost
s33 (a)(i)	Milestone	s33(a)(i)	s33(a)(i)	Total	\$58.6m
				Budget	
	Approved			Spend to	\$11m
$c^{22}(a)(i)$				Date	
555 (d)(l)	Forecast (reduced scope)			RCI/RCD?	No

Satellite Ground Station - East and Wideband SATCOM Network Management (JNT02008PH5B2)

Capability		Schedule	;				Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	s33(a)(i)	Total Budget	\$235m
	Approved	Jan 2021	Jun 2021	Jun 2021		Spend to Date	\$168m
	Forecast	Jan 2021	Jun 2021	Jun 2021		RCI/RCD?	No

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Image: A Royal Australian Air Force E-7A Wedgetail arrives at the Australian Defence Force's main operating base in the Middle East region.

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

The project will deliver interoperability compliance upgrades for the E-7A Wedgetail. This is planned to be delivered in two Capability Releases. Release 1: Mode 5 Identification Friend or Foe (IFF) interrogation capability on two aircraft and associated support systems. Release 2: fleet wide Mode 5 IFF, Link 16 and Radio Cryptographic upgrades, and other enablers including a Wideband Satellite Communication capability.

AIR05077 Phase 5A was listed as a Project of Interest in December 2018 due to s33(a)(i

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Airborne Early Warning and Control Interoperability Compliance Upgrade (AIR05077PH5A)

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$1,206m
	Approved	31 Jul 2019	s33(a)(i)			Spend to Date	\$693m
	Forecast	Dec 2019				RCI/RCD?	No

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Image: Royal Australian Navy Auxiliary ship, NUSHIP Stalwart launches in Ferrol, Spain on 31 August 2019.

0. Maritime Operational Support Capability (SEA01654PH3)

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.

The project was listed as a Project of Interest in December 2018 due to delays and deficiencies with a range of Integrated Logistics Support (ILS) Supplies, including the completeness and accuracy of Technical Data which risks the delivery of the acquisition support systems and possibly the Operative Date of the Support Contract.

There is no forecast delay to Initial and Final Operational Capability. However, there is a risk of delaying the introduction into service of the first AOR Ship, *Supply*.

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Maritime Operational Support Capability (SEA01654PH3)

Progress and	Contractor performance has improved after a Logistic Support Analysis
emerging issues in	corrective action plan was agreed, which looks to enhance the quality and
summary	quantity of the Integrated Logistics Support deliverables submitted. The
	project is now focussing on maintenance documents, working closely with
	Navantia to achieve quality products.

Key issue	Although performance has improved, Navantia is still behind its new document delivery schedule.
Remediation	The project will be monitoring the document delivery schedule closely and continue to implement the agreed Logistic Support Analysis corrective actions.
Forecast	June 2020.
achievement	
Risks and impacts to	The current schedule for completion of <i>Supply</i> construction and testing is
Capability, Schedule	tight, which is likely to result in a delay to the current plan. The delay is not
and Cost	expected to impact on Initial Operational Capability or Final Operational Capability schedule. The Project Team is in discussion with Navantia to make best use of the time in Spain and subsequently the fit out period in Australia, leading to a suitable date for Ship Acceptance and Initial Operational Release. There is also a risk that introduction into service of the first AOR ship, <i>Supply</i> may be impacted by further document delivery schedule delays.
Constraints	This issue currently has no realised impact on the forecast schedule for the Operational Capability Milestones of the AOR Ships. There is still a risk for it to delay Navy's forecast dates for introduction into service of the first AOR Ship, <i>Supply</i> . The issue is under close management between Navantia and the Commonwealth. Both parties agree the key to success will be the delivery of quality products, and the products are now at the standard required but later than originally scheduled.

Removal criteria Acceptance of Ship 1 in Quarter 2, 2020.

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$1,088m
	Approved	30 Jun 2020	30 Mar 2021	30 Mar 2021	31 Dec 2022	Spend to Date	\$623m
	Forecast	19 Jun 2020	24 Mar 2021	17 Mar 2021	23 Dec 2022	RCI/RCD?	No

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Image: An aerial view of a Jindalee Operational Radar Network (JORN) transmitter site at Laverton, Western Australia.

11. Jindalee Operational Radar Network (AIR02025PH6)

The Jindalee Operational Radar Network (JORN) will receive a major mid-life upgrade and redesign under this project. The redesign of the JORN system will address obsolescence, improve system performance, provide a more contemporary system architecture and reduce the Total Cost of Ownership. The four tranches of execution are systems engineering and design (Tranche 1); upgrade of the first radar and delivery of a new command and control system (Tranche 2); and serial upgrade of the remaining two radars (Tranches 3 and 4).

The project was declared a Project of Interest September 2019 due to critical delays to engineering design milestones. These delays are considered unrecoverable and will impact the schedule to Initial Operational Capability and Final Operational Capability. s47E(d), s47G

delays in the systems engineering program, initial hardware and software development has made suitable progress.

Until the contractor establishes a new schedule baseline, an accurate estimate of delay and associated costs cannot be validated. s33(a)(i)

s33(a)(i)

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Despite

Jindalee Operational Radar Network (AIR02025PH6)

Progress and	In July 2019, BAE Systems commenced a comprehensive effort to re-baseline the
emeraina issues in	program to Initial Materiel Release. BAE Systems are expected to deliver a re-
summary	baselined schedule in early 2020. The re-baselined schedule will then be validated
cannary	by Defence using an independent Schedule Compliance Risk Assessment
	Methodology (SCRAM) review and an Integrated Baseline Review. In parallel, the
	contractor is executing the agreed engineering plan to achieve Systems Definition
	Review by June 2020.

Key issue	Imperative to re-establish an accurate and achievable schedule.
Remediation	Establishment of an accurate and achievable schedule baseline is essential to performance remediation. A SCRAM review is planned for March 2020 to confirm the integrity of the new contractor schedule, followed by an Integrated Baseline Review to provide objective performance assurance against the new schedule in Quarter 2 2020. The contractor's interim schedule performance to Systems Definition Review is being closely monitored. Until a new schedule baseline is established, the extent of delay and associated costs cannot be validated.
Forecast	June 2020 upon completion and approval of the Integrated Baseline Review
achievement	
Risks and impacts to	There is a risk that the contractor may not achieve delivery of the revised schedule
Canability Schedule	by January 2020 due to uncertainty on the clearance process for the revised
and Cost	schedule to be released. s47E(d)
Constraints	Time available to complete schedule re-baselining in parallel to project execution.
Key issue	Addressing known deficiencies in systems engineering performance that has led to substantial schedule delay.
Remediation	Close monitoring of the contractor's 'return to green' plan to ensure underlying issues (capability, leadership and capacity related) are being addressed, in addition to adoption of a collaborative and progressive approach to review of engineering artefacts leading up to System Definition Review.
Forecast	Initial indication through successful completion of the Systems Definition Review in
achievement	June 2020. Further confirmation through stabilised schedule performance to achievement of Preliminary Design Review (new milestone date to be confirmed as part of new schedule baseline establishment).
Risks and impacts to	There is risk that System Definition Review and Preliminary Design Review will not
Capability, Schedule	be achieved in accordance with new schedule milestone dates. At present, it is
and Cost	anticipated that a minimum 18 month schedule delay to the contracted Tranche 1
Constraints	The ability to secure and retain suitably experienced systems engineering and
	technical leadership resources in a constrained labour market environment.
Domovial avitavia	Exit criteria will be focused on the contractor's chility to deliver the Systems
Removal criteria	Definition Review and Preliminary Design Review milestones to the new schedule.

Capability	apability Schedule						Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$1118m
	Approved	Jan 2024	Apr 2024	Jun 2028	Jan 2029	Spend to Date	\$110m
	Forecast	July 2025	Oct 2025	Dec 2029	July 2030	RCI/RCD?	No

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Image: The Special Operations Vehicle-Commando (SOV-Cdo) capability.

Enhancements to Special Operations Capability (JNT02097PH1B)

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

Land Mobility: Two Special Operations Vehicle fleets; 89 Special Operations Vehicles-Commando (SOV-Cdo) and 22 Special Operations Vehicles-Support (SOV-Spt) for Special Operations Command.

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.

The project was listed as a Project of Interest in March 2017 due to subcontractor insolvency and delays to improve the reliability of the SOV-Cdo vehicle. This resulted in a delay to Initial Operational Capability by 40 months. To address the reliability issues, the contractor conducted a remediation program to modify the 89 SOV-Cdo vehicles with a range of enhancements. In December 2019, the final modified SOV-Cdo vehicle was accepted by the project.

The project has successfully delivered 21 of the 23 scope elements to date. The two remaining Networked Special Operations Capability elements, Mobile Information Communication Technology and Video Data Link, are expected to be delivered on schedule to meet Final Operational Capability.

The project will be recommended for removal from the Project of Interest list following the imminent declaration of Initial Operational Capability by the Capability Manager.

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Enhancements to Special Operations Capability (JNT02097PH1B)

Progress and	The remediation of the SOV-Cdo fleet has been completed, with all 89		
emerging issues in	SOV-Cdo delivered and accepted by the project.		
summary	The project has met the conditions required to declare Initial Operational		
	Capability with an announcement due in Quarter 1, 2020. Outstanding		
payload, certification and integration issues will need to be resolve			
	Final Operational Capability being considered.		
	The remaining two Networked Specialised Operations Capability elements,		
	Mobile Information Communication Technology and Video Data Link, are on		
	schedule to be delivered prior to Final Operational Capability.		

Key issue	Vehicle Platform capability issues.
Remediation	Payload, certification and integration issues to be resolved prior to Final
	Operational Capability.
Forecast	By December 2020.
achievement	
Risks and impacts to	Low capability risk remains. Army assessed that the modified SOV-Cdo
Capability, Schedule	vehicles align sufficiently to meet initial operational requirements.
and Cost	CASG, in consultation with Army, is progressing a plan to resolve the
	remaining SOV-Cdo issues prior to Final Operational Capability.
Constraints	Vehicle design limitations may affect the ability of the vehicle to meet some
	operational requirements.

Removal criteria	Remediation of the SOV-Cdo vehicles and achievement of Initial
	Operational Capability form the criteria for the project to be removed as a
	Project of Interest. These criteria have now been met.

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$333.2m
	Approved	31 Aug 2019	31 Dec 2019	31 May 2020	31 Dec 2020	Spend to Date	\$296.4m
	Forecast	Achieved	Achieved	25 May 2020	21 Dec 2020	RCI/RCD?	No

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Image: Royal Australian Navy Officer conducts a Rapid Environmental Assessment at Koro Island, Fiji.

13. Rapid Environmental Assessment (JNT01770PH1)

The project will deliver an enhanced deployable Rapid Environmental Assessment capability in support of Royal Australian Navy littoral operations. This capability will enhance the direction, collection, processing and dissemination of tactical maritime environmental information. The project will deliver four discrete sub-systems: Mobile Meteorological and Oceanographic Team, Fly-Away Survey Kit System, Survey Craft System and Autonomous Underwater Vehicle – Man Portable (AUV-MP).

The project was listed as a Project of Interest in March 2017 s33(a)(i)

s33(a)(i), s47G

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Rapid Environmental Assessment (JNT01770PH1)

Progress and
emerging issues in
summaryOperator training has been conducted on the Survey Craft System and the
Autonomous Underwater Vehicle – Man Portable. Final Materiel Release
was achieved December 2019 with the acceptance of two Survey Craft
Systems, two Autonomous Underwater Vehicle – Man Portable and four
Wave and Current Sensors.

Key issue	s33(a)(i)	
Remediation	s33(a)(i), s47E(d)	
Forecast achievement	s33(a)(i)	
Risks and impacts to Capability, Schedule and Cost	The schedule risk is high as there are a number of are scheduled for completion within a compressed This is being actively monitored and managed by Australia and Leidos. Capability will be delivered i limitations, if issues are not resolved. The schedul Operational Capability is manageable and will not meet Rapid Environment Assessment preparedne	f concurrent activities that d timeline. Commonwealth of nto Service with operating le delay to Final impact Navy's ability to ess requirements.
Constraints	Head of Navy Capability directed that equipment I for the Operational Test and Evaluation by 31 Dec Rapid Environmental Assessment capability to ac Capability by 30 June 2020.	be operationally released cember 2019 with the hieve Final Operational

Removal criteria CASG Acceptance and Navy Operational Release of the Rapid Environmental Assessment capability.

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$45m
						Duagei	
	Approved	30 Jun	30 Sept	31 Mar	30 Sept	Spend to	\$34m
		2018	2018	2019	2019	Date	
	Forecast	Achieved	Achieved	Achieved	30 Jun	RCI/RCD?	No
					2020		

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Image: A Royal Australian Air Force C-130J Hercules conducts a flypast at the Australian Defence Force Academy (ADFA) Open Day in Canberra, on 24 August 2019.

14. C-130J Block Upgrade (AIR05440PH1)

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 Mode 5 Identification Friend or Foe (IFF) 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 future theatres of operation airspace. The upgrade also updates the simulator and training system to Block 7.0/8.1 configuration.

The project was listed as a Project of Interest in September 2018 due to s33(a)(i)

ince April 2018, the project has remained on-track to the revised

milestones. The United States (US) Government and Lockheed Martin remain committed and confident to achieving the schedule which was confirmed in April 2018.

The current risk to schedule is based on s33(a)(i), s33(a)(iii)

Preliminary cost

estimates are forecast to be within allocated budget. However there is a risk of a minor increase to schedule. s33(a)(i), s33(a)(iii)

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		C-130J Block Upgrade (AIR05440PH1)
Progress and emerging issues in summary	s33(a)(i), s33(a)(iii)	
Kowingung	e33(a)(i) e33(a)(iii)	
Key issue	555(a)(i), 555(a)(iii)	
Remediation	s33(a)(i), s33(a)(iii), s47G	
Forecast achievement	s33(a)(i)	
Risks and impacts to Capability, Schedule and Cost	s33(a)(i)	
Constraints	s33(a)(i)	

Key issue	s33(a)(i)
Remediation	s33(a)(i), s33(a)(iii)
Forecast achievement Risks and impacts to Capability, Schedule and Cost	s33(a)(i) Overall schedule risk remains assessed as medium s33(a)(i)
Constraints	Nil.

 Removal criteria
 \$33(a)(iii)

 2) A period of schedule compliance with milestone achievements along with sufficient data to determine fleet incorporation and training device update schedules; and 3) A positive recommendation by a future Independent Assurance Review board for lifting the Project of Interest status.

Capability		Schedule					Cost
s33 (a)(i)	Milestone	IMR	IOC	FMR	FOC	Total Budget	\$243m
	Approved	s33(a)(i)				Spend to Date	\$81m
	Forecast					RCI/RCD?	No

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Image: Fixed Defence Air Traffic Control Surveillance Sensor Tindal June 2018

15. Fixed Defence Air Traffic Control Surveillance Sensors (AIR05431PH2)

Under the project 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 will be replaced.

The project was listed as a Project of Interest in December 2018 533(a)(I), 547G
s33(a)(i), s47G
s33(a)(i), s47E(d)
s33(a)(i), s47E(d)
s33(a)(i) s47E(d)
535(a)(l), 547 L(d)

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Key issue	s33(a)(i), s47G
Remediation	s33(a)(i), s47G
Forecast	s47E(d), s47G, s33(a)(i)
achievement	
Risks and impacts to	Schedule risk remains elevated until the technical difficulty is resolved.
Capability, Schedule	
and Cost	
Constraints	s47G, s47E(d)



Removal criteria A positive recommendation by a future Independent Assurance Review based upon achieving s33(a)(i)

Capability		Schedule			Cost
s33 (a)(i)	Milestone	s33(a)(i)		Total Budget	\$202m
	Approved			Spend to Date	\$99m
	Forecast			RCI/RCD?	No

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Products of Interest

A pair of Armed Reconnaissance Helicopters for Australian Army 1 Aviation Regiment come into land at RAAF Base Darwin during Exercise Diamond Storm 2017.

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 11 Products of Interest, listed in order of MSCAT rating.

No.	Product Name (Number)	MS-CAT Rating	First reported as a Product of
1	Canberra Class Landing Helicopter Dock (CN34)	I	March 2017
2	Hobart Class Destroyer (CN40)	I	December 2019
3	Armed Reconnaissance Helicopter Weapon System (CA12)	II	March 2017
4	Multi Role Helicopter (MRH90) (CA48)	II	March 2017
5	Air Traffic Management (CAF12)	II	June 2017
6	Armidale Class Patrol Boat (CN09)	11	March 2016
7	Navy Explosive Ordnance (CN54)	II	March 2016
8	Command and Intelligence Systems (CA40)	II	September 2017
9	Air Battlespace Management System Capability (CAF14)	111	June 2017
10	Army Munitions & Guided Weapons (CA59)	111	December 2017
11	C-27J Battlefield Airlifter Weapon System (CAF34)	III	June 2019

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Image: HMAS Canberra prepares to come alongside at Fleet Base West after participation in Exercise Ocean Explorer 19, marking the first berthing of a Canberra Class Landing Helicopter Dock at HMAS Stirling, on 04 March 2019.

1. Canberra Class Landing Helicopter Dock (CN34)

The Landing Helicopter Dock capability comprises two Landing Helicopter Dock vessels, 12 Landing Helicopter Dock Landing Craft and support systems delivered under projects Amphibious Watercraft Replacement (JP2048 Phase 3) and Amphibious Ships (JP2048 Phase 4A/B) in 2014-15, and have provided a significant increase in amphibious capability to the Australian Defence Force. **\$33 (a)(I), \$47G**

Following successful completion of Operational Test and Evaluation activities during SEA SERIES exercises and delivery of significant improvements to the support arrangements and Integrated Logistic Support elements, the Landing Helicopter Dock capability was awarded Final Materiel Release on 18 October 2019 and Final Operational Capability on 4 November 2019. The combination of these Milestones is the realisation of the full capability that the assets provide delivering the largest organic Royal Australian Navy amphibious capability to the Australian Defence Force and Australia.

s33 (a)(i), s47G

CN34 remain a Product of Interest whilst the new contract arrangements transition over the first 12 months. The contract commenced on 1 July 2019. Initial progress is acceptable at this time.

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	Risks
Availability	Availability performance is high and continues to perform within acceptable
	tolerances. 533 (a)(i), 547E, 547G
Cost	CN34 is forecasting a small financial year 2019/20 overspend for Priority 1 activities (\$5.358m). Noting the recent commencement of the new contract and supplier on 1 July 2019, this will be monitored over the year with efforts to reduce the Year End cost through early realisations of cost efficiencies under the new model. Current funding pressure is considered within tolerance at this time and will be reassessed in January 2020.
	Remediation Strategy
Short to medium term (1 -3 months)	Adopt lessons learnt from first five months of the new contract, and implement further improvements in the Landing Helicopter Dock processes. s33 (a)(i)
Medium term (3 – 12 months)	s33 (a)(i), s47G Complete the first annual review of the new Asset Class Prime Contractor
	arrangement under Naval Ship Management. s33 (a)(i), s47G, s47E
Long term (12+ months)	Deliver the steady-state Landing Helicopter Dock Sustainment model following completion of the first/transition Annual Work Plan. s33 (a)(i)
Removal criteria	Final Materiel Release and Final Operational Capability are now completed. s33 (a)(i),

Canberra Class Landing Helicopter Dock (CN34)

Availabilitv	Key Performance I	Cost		
s33 (a)(i)	KPI	Materiel Ready Days	2019-20 Budget	\$130m
	Target	s33	Year to Date	\$43m
	November 19 - Year-	s33	Year End	\$136m
	to-Date Achievement		forecast	

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Image: HMAS Brisbane in San Francisco Bay during Fleet Week, October 6 - 14, 2019.

2. Hobart Class Destroyer (CN40)

The *Hobart* Class Guided Missile Destroyer (DDG) capability comprises three ships and support systems delivered under the Air Warfare Destroyer Program (SEA 4000 Phase 3). The highly capable DDGs will provide continuous, effective area air defence of a maritime force or land force operating in our maritime approaches or deployed away from Australia, in both open ocean and littoral environments. **S33 (a)(i), s47G**

Following the successful completion of Combat System Qualification Trials in the United States of America for HMA Ships *Hobart* and *Brisbane* in 2018 and 2019, Chief of Navy declared Operational Capability Release milestone 2 (two Destroyers operationally deployable) on 06 December 2019. s33 (a)(i)

An Independent Assurance Review held on 30 October 2019 recommended that CN40 become a Product of Interest based on the following key findings:



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Hobart Class Destroyer (CN40)



Removal criteria	s33 (a)(i)
	Achievement of Final Materiel Release and Final Operational Capability.
	s33 (a)(i), s47E, s47G
	Positive recommendation by a future Independent Assurance Review board for
	lifting the Product of Interest status.

Availability	Key Performance Indicators (KPI)				Cost	
s33 (a)(i)	KPI	Materiel Ready Days	Asset Management System Plans	AEO Transition	2019-20 Budget	\$209.2m
	Target	s33	s3	s33 (a)(i)	Year to Date	\$71m
	November Achievement	s33	S	s33	Year End Forecast	\$209.2m

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Image: An Aircraft Director assists an ARH Tiger depart the flight deck of HMAS Canberra during the Joint Warfighter Series 2019.

3. Armed Reconnaissance Helicopter Weapon System (CA12)

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.

The product was listed as a Product of Interest in March 2017 due to supply chain, facilities and maintenance issues.

In November, two Tigers from the Army Aviation Training Centre Oakey supported the Queensland fire response. A combined Army and Airbus detachment provided fire mapping and imagery direct to Queensland Fire and Emergency Services. The 1st Aviation Regiment Darwin experienced high rates of serviceability and conducted a routine gunnery exercise in November. Airbus continues to demonstrate responsiveness and flexibility in pursuing solutions to ensure aircraft availability for major activities.



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Armed Reconnaissance Helicopter Weapon System (CA12)

	Risks
Availability	Tiger availability remains acceptable as measured across six Key
	Performance Indicators. Key focal areas are the management of critical
	items of supply and on time delivery of engineering changes.
Cost	Plans are on track to meet budget targets. The combined Tiger sustainment
	and Capability Assurance Program forecast is \$154m compared to a current
	budget of \$138m. The \$16m variance is a result of Capability Assurance
	Program funds that have been approved but not yet transferred.

	Remediation Strategy
Short to medium	s33(a)(i), s47G
term (1 -3 months)	
Medium term (3 – 12	On-time delivery is being assured via remediation plans, engineering
months)	change backlog reduction, and optimisation of new organisational structures
	within Airbus and Army Aviation System Program Office.
Long term (12+	The Tiger Capability Assurance Program is executing the first tranche of
months)	essential obsolescence treatments. The business case for a second tranche
	is in development and will be processed through committees in 2020.

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Availability	Key Perf	ormance Ind	licators (KPI)			Cost
s33 (a)(i)	KPI	Rate of Effort	Provided Aircraft	Mission Capable Aircraft	2019-20 Budget	\$153.8m
	Target	s33(a)(i)			Spend to Date	\$61.9m
	November Achievement				Year End	\$153.8m

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Image: MRH-90 Multi-Role Helicopter operations on-board HMAS Choules during a deployment to the South West Pacific region.

4. Multi-Role Helicopter (MRH) Weapon System (CA48)

Defence acquired 47 aircraft under project AIR9000 Phases 2, 4 and 6; the final aircraft was accepted on 18 July 2017. The Multi-Role Helicopter commenced operations in the Special Operations support role at the 6th Aviation Regiment in February 2019 and Final Operating Capability is scheduled for 2021 following achievement of the remaining Special Operations milestones. The current Planned Withdrawal Date is 2037.

The product was listed as a Product of Interest in March 2017 due to ongoing aircraft availability and supportability issues which are being managed by Defence and its prime contractor, Airbus Australia Pacific.

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

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Multi-Role Helicopter Weapon System (CA48)



	Remediation Strategy
Short to medium	s33(a)(i), s47G
t_{a} $(1, 2)$ m_{a} (t_{b})	
term (+ -3 months)	
Medium term (3 – 12	Airbus Australia Pacific will maintain pressure on NATO Helicopter
months)	s33(a)(i), s33(a)(iii), s47G
montaloy	
Long term (12+	The establishment of a Main Gear Box repair and overhaul facility for the
months	Multi-Role Heliconter in Australia continues, with the facility expected to be
montiloy	What the three it coop s22(c)(iii) ad 70
	operational by mid-2020. sos(a)(iii), s476

Removal criteria	The Multi-Role Helicopter Taipan capability will remain a Product of Interest
	until the remediation strategies s33(a)(iii), s47G
	can be validated as effective and sustainable.

Availability	Key Perfo	rmance Indicators (KPI)				Cost
s33 (a)(i)	KPI	Total Flying Hours	Mission Capable Aircraft	Repairable Item Demand Satisfaction Rate	2019-20 Budget	\$231.527m
	Target	s33(a)(i)			Year to Date	\$81.119m
	November Achievement				Year End	\$234.158m

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Image: A MH-60R Seahawk hovers in the vicinity of the HMAS Albatross Air Traffic Control Tower building, whilst an AS350BA Squirrel helicopter conducts advanced aerial manoeuvres in the background. Imagery was taken during the 453 SQN Open Day at HMAS Albatross.

5. Air Traffic Management (CAF12)

The Air Traffic Management product is a highly integrated system-of-systems. The existing systems will be replaced 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); Civil-Military Air Traffic Management System (AIR 5431 Phase 3); and Air Force Minor Projects and some sustainment activities.



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	Air Traffic Management (CAF12)
	Risks
Availability	s33(a)(i)
Cost	The Year to Date spend variance is due to Fixed Tactical Air Navigation (AFM1012) and Instrument Landing System (AFM1010) projects extending contract periods as a result of contract, \$33(a)(i) issues. AIR 5431 Phase 3 sustainment funding triggered prematurely and was not required, \$33(a)(i) The Mid-Year Review identified a hand back of \$21.5m to fund other Air Force sustainment pressures.
	Remediation Strategy
Short to medium term (1 -3 months)	s33(a)(i)
Medium term (3 – 12 months)	s33(a)(i)
Long term (12+ months)	s33(a)(i)
Removal criteria	A positive recommendation by a future Independent Assurance Review Board for lifting the Product of Interest status.

Availabilitv	Key Performance Indicators (KPI)			Cost		
s33 (a)(i)	KPI	Alenia	ADATS	ADATS	2019-20	\$78.39m
			Radar	Automation	Budget	
	Target	s33(a)(i)			Year to	\$17.46m
	-				Date	
	November				Year End	\$56.86m
	Achievement					

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Image: Royal Australian Navy Armidale class patrol boats HMA Ships Glenelg (foreground) and Larrakia (rear) in Port Moresby as part of international support to APEC 2018.

6. Armidale Class Patrol Boats (CN09)

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

The Armidale Class Fleet are approaching their planned withdrawal dates. Accordingly, the Patrol Boat Systems Program Office is addressing a range of initiatives to manage the continued availability of the Class until the new Offshore Patrol Vessels are introduced into service and assume patrol duties.

The product was listed as a Product of Interest in March 2016 due to s33(a)(i)

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	Armidale Class Patrol Boats (CN09)
	Risks
Availability	s33(a)(i), s47E(d), s47G
Cost	s33(a)(i), s47E(d), s47G
	Demediation Strategy
Chart to modily	There is a significant improvement to availability and responsiveness of the natrol boots as
SHOIT TO HIEGIUM	evidenced by the quarter's results. s47G, s33(a)(i)
term (T-3 months)	, , , , , , , , , , , , , , , , , , ,
Madium tarma (2.10)	An Independent Assurance Review in July 2010 assessed the engine improvement of the
Vieulum term (3 - 12)	support systems and performance. The recommendations commended the Systems Program
monuns)	Office on the progress made since the last review and highlighted areas to be further
	advanced. <mark>s47E(d)</mark> , s47G
Long term (12+	s33(a)(i)
months)	Defence continues to work with the
monuisy	In-Service Support Contractors, Northern Territory Government and Australian Industry
	Defence Network in the development of a skilled regional workforce in both Darwin and Cairns
	נט חופבו כעודבות מות ותנתוש תשוומות.
Removal criteria	The improvement in MRDs availability over the past 8 months and reduction in Priority One and
	complete. The Naval Capability Committee has approved a risk-based Life of Type Extension
	for ACPB within means. Assured funding was agreed at the October NSRB across the
	Forward Estimates for transition to the new Class. These factors combined with a strong plan
	to continue to build an integrated Patrol Boat enterprise in Darwin remove CN09 as a
	Product of interest.

Availability	Key Performance Indicators		Cost	
s33 (a)(i)	KPI	s33(a)(i)	2019-20 Budget	\$112.9m
	Target		Year to Date	\$39m
	November Achievement		Year End	\$122.9m

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Image: Two Evolved Sea Sparrow Missiles (ESSM) are fired from HMAS Hobart during test firings off the United States West coast, on 20 December 2018.

7. Navy Explosive Ordnance (CN54)

The CN54 product schedule is for the Sustainment of Navy guided weapons and explosive ordnance. The product schedule includes: Guided Weapons, Navigational Outfits, Medium and Large Calibre Gunnery, Pyrotechnics and Cartridge Actuated Devices, Countermeasures, Force Protection and demolition stores. Navy's Guided Weapons are categorised into four main areas: Missiles, Minewarfare, Heavy Weight Torpedoes (including Encapsulated Harpoon Certification Training Vehicle) and Lightweight Torpedoes. CN54 also includes sustainment of inventory used by Army and Air Force where Navy is the lead service. The CN54 product schedule amalgamates CN38 (product of Interest) and CN37 product schedules.

The CN38 product was listed as a Product of Interest in March 2016 due to s33(a)(i)

As at December 2019, all platform Load-out and Raise, Train, Sustain requirements have been met. s33(a)(i)

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Removal criteria	A positive recommendation by a future Independent Assurance Review
	Board for lifting the Product of Interest status.

Availability		Key Performance Indicators (KPI)		Cost
s33(a)(i)	₃33(a)(i)		2019-20 Budget	\$77.890m
			Year to Date	\$19.562m
	_		Year End	\$117.3m

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Image: Deployable variants of EDLAN capability.

8. Command and Intelligence Systems (CA40)

The product consists of hardware and software products that are used to support the Command and Control environment in the land domain. This includes a large quantity of Commercial off the Shelf software and military special software with the associated Deployable Standard Operating Environment.

The product was listed as a Product of Interest in September 2017 due to s33(a)(i)

EDLAN is three years over schedule due to an underestimation of the technical complexity of the design, the allocation of appropriately skilled resources and the lack of governance of the product activity. A Deed of Agreement that resolves outstanding commercial issues between Defence and Thales was signed in May 2019 and included an Integrated Master Schedule and improved commercial provisions. **\$33(a)(i)**

The **Special Operation Command and Control System** (SOCCS) is being reviewed to baseline the completed capability incorporating equipment and systems that have been procured using opportunistic funding. This may include Critical Systems Branch expanding its support and management to the whole of the system. Critical Systems Branch will work collaboratively with the Capability Manager and Special Operations Command to develop a strategic roadmap that will inform decisions on funding and future direction of the Special Operation Command and Control System capability.



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Command and Intelligence Systems (CA40)





Removal criteria	A positive recommendation by a future Independent Assurance Review
	board for lifting the Product of Interest status. The recent Independent
	Assurance Review outcomes are being finalised and will likely recommend
	the product be removed a Product of Interest. Subsequently, this may be
	the last quarter that the product will be reporting as a Product of Interest.

Availability	Key Performance Indicators (KPI)				Cost
s33 (a)(i)	KPI	Availability of Critical Systems Command and Intelligence Systems	Demand Satisfaction Rate	2019-20 Budget	\$54.758m
	Target	Not measured	Not measured	Year to Date	\$22.5m
	November Achievement			Year End	54.758m

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Image: A No. 114 Mobile Control and Reporting Unit AN/TPS-77 Tactical Air Defence Radar System on display during a unit family day held at RAAF Base Darwin, NT.

9. Air Battlespace Management System (CAF14)

The Air Battlespace Management System capability enables effective surveillance and airspace control in the defence of Australia and its territories, or when Australian Defence Force (ADF) elements are deployed on operations, in support of the joint force, allies, and partners. The capability contributes to decision-making superiority and a potent and agile offensive response of the existing force.

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

The Product was listed as a Product of Interest in June 2017 due to emerging hardware and software obsolescence, and associated unfunded pressures, which if not treated had the potential to degrade the operational effectiveness of the capability.

The key platforms are in a process of constant technology refresh to address system obsolescence and compliance issues, and ensure availability and operational effectiveness until delivery of the replacement project (currently unapproved) under the Defence Integrated Investment Program.

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	Risks			
Availability	s33(a)(i)			
Cost	The Product has sufficient funding to achieve the planned program of work in the current budget year, and will exceed budget due to approved over-programming for the Tactical Air Defence Radar System. However, there are emerging unfunded pressures across the next budget year and forward estimates, which will be managed through the Defence sustainment portfolio budgeting process. Industry workforce capacity is an emerging risk to achieving planned budget expenditure in financial year 2019/20.			
	Remediation Strategy			
Short to medium term (1 -3 months)	s33(a)(i)			
Medium term (3 – 12 months)	s33(a)(i)			
Long term (12+ months)	s33(a)(i)			
Removal criteria	Based upon the recommendations of an Independent Assurance Review in			

Air Battlespace Management System (CAF14)

bval criteria Based upon the recommendations of an Independent Assurance Review in November 2019, CAF14 will be removed from the Product of Interest list as all items have been remediated or are under close management.

Availabilitv	Key P	erformance Indicators (KPI)	C	Cost	
s33 (a)(ı)	KPI	s33(a)(i)	2019-20 Budget	\$69.8m	
	Target		Year to Date	\$21.2m	
	November Achievement		Year End	\$69.26m	

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Image: Personnel of 1st Battalion Royal Australian Regiment, operating the 50 Calibre Heavy Machine Gun during weapon trails with Direct Fire Support Weapons platoon, at High Range Training Area, Queensland.

10. Army Munitions & Guided Weapons (CA59)

The Australian Defence Force's Land inventory of explosive ordnance consists of small arms ammunition, pyrotechnics, mortar and 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. Air Force and Navy also use some of these items, such as small arms ammunition and demolition stores.

The product was listed as a Product of Interest in December 2017 due to s47E(d)

s33(a)(i)

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Removal criteria A positive recommendation by a future Independent Assurance Review Board in addition to improvements made to the supply chain so that munitions availability reaches an average of 96 per cent consistently for six months.

Availability	Key Performance Indicators (KPI)			Cost
s33 (a)(i)	KPI	s33(a)(i)	2019-20	\$159m
			Budget	
	Target		Year to	\$73m
	-		Date	
	November		Year End	\$159m
	Achievement			

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Image: An Australian Aid representative watches as a RAAF C-27J Spartan crew prepare to drop Australian Aid supplies to Mount Bundey Training Area during Exercise Crocodile Response, NT, Australia, 3 September, 2019.

11. C-27J Battlefield Airlifter Sustainment (CAF34)

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 C-27J 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.

The product was listed as a Product of Interest in June 2019 due to s33(a)(i), s47G

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	Remediation Strategy
Short to medium	Capability Acquisition and Sustainment Group, Air Force, and Northrop
term (1 -3 months)	Grumman Australia have developed a C-27J Enterprise Maturity Plan, and
	are taking collaborative remedial action. s47E(d)
Medium term (3 – 12	Consolidation of maintenance planning disciplines and lead ordering of
months)	spares. Receipt of residual spares and supply chain improvement initiatives
	will drive the remediation of supply related issues. End to end process
	improvements to supply and engineering performance.
Long term (12+	The development of an Enterprise Single Management Framework.
months)	Potential establishment of additional in-country repair venues. Manageable
	engineering demand and reduced engineering backlog. s33(a)(i)
	35 Squadron technical workforce able to meet
	maintenance demand through an optimised Aircraft Maintenance Program.

Removal criteria	A sustained achievement of an average of five mission capable aircraft for		
	six months.		

Availability	к	Key Performance I	Cost		
s33 (a)(i)	KPI	Mission Capable Aircraft	Rate of Effort	2019-20 Budget	\$69.3m
	Target	s33(a)(i)		Year to Date	\$36.7m
	YTD Achievement			Year End	\$81.34m

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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.



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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 =	Amber =	Red =
	Acceptable performance	Emerging risks and	Risks and issues realised
		issues	
Availability	The product's KPIs are	The product's KPIs are	The product's KPIs are
	within the agreed green	within the agreed amber	within the agreed red
	threshold.	threshold.	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% and <5% against Year End Budget.	Achievement of >5% against Year End Budget.
	Achievement of +/- 3% tolerance.		
Year to Date	This indicator measures	Achievement of >3% and	Achievement of >5%
Cost	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.	<5% against Year to Date Budget.	against Year to Date Budget.
	tolerance.		

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Annex B – Enterprise Project Performance Reporting

Enterprise Project Performance Reporting



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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.

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