

## Project Data Summary Sheet<sup>1</sup>

Project Number	AIR555 Phase 1
Project Name	AIRBORNE INTELLIGENCE, SURVEILLANCE, RECONNAISSANCE AND ELECTRONIC WARFARE (ISREW) CAPABILITY
First Year Reported in the MPR	2021-22
Capability Type	New
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Dec 15
Government 2nd Pass Approval	Sep 17
Budget at 2nd Pass Approval	\$2,166.3m
Total Approved Budget (Current)	\$2,360.2m
2022–23 Budget	\$212.0m
Complexity	ACAT II



### Section 1 – Project Summary

#### 1.1 Project Description

AIR555 Phase 1 will deliver four first-of-type MC-55A Peregrine aircraft, being modified Gulfstream Aerospace Corporation (GAC) G550 platforms. The aircraft will incorporate the next evolution of an operationally proven Airborne Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) capability.

The capability will be a critical enabler for the Australian Defence Force's (ADF) fifth generation war fighting platforms and will conduct routine and rapid surveillance in order to provide real time threat warning and intelligence support to the ADF, and will be a primary contributor of information to support Intelligence Mission Data production.

AIR555 Phase 1 is predominately a Foreign Military Sales (FMS) program through the United States Air Force (USAF). The USAF's Prime Contractor for the acquisition of AIR555 Phase 1 is L3Harris Technologies, Inc.

Three domestic delivery agencies are involved in the major systems and fundamental inputs to capability (FIC): Capability Acquisition & Sustainment Group (CASG), Security & Estate Group (SEG), and Chief Information Officer Group (CIOG), with CASG acting as the Integrated Project Manager.

AIR555 Phase 1 facilities will be located at four locations. The main operating base facilities will be built as a component of the ISREW Precinct at Royal Australian Air Force (RAAF) Base Edinburgh. Construction of the facilities commenced at RAAF Base Edinburgh in 2020. Facilities at three forward operating bases will also be delivered.

#### 1.2 Current Status

##### Cost Performance

###### In-year

Financial Year (FY) 2022-23 expenditure was \$192.5m (to end June 2023) against the budget of \$212.0m (to end June 2023). The variation is associated with slippage to Prime Contract effort on FMS.

###### Project Financial Assurance Statement

As at 30 June 2023, AIR555 Phase 1 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

###### Contingency Statement

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

##### Schedule Performance

The FMS materiel delivery schedule has been impacted by risks realised through the Phase 1 engineering at the GAC facility, workforce challenges, global supply issues, and flight testing.

In consultation with the Sponsor and USAF, the project has assessed mitigation strategies to minimise schedule delays and interim milestone deliveries within the Materiel Acquisition Agreement (MAA). Based on the resultant schedule review, AIR555 Phase 1 provided a re-baselined schedule for Sponsor and Government approval in November 2021. This resulted in an adjustment to project schedule for Initial Operational Capability (IOC).

Subsequent to this MAA update, in October 2022 the USAF advised of delays to aircraft delivery. Government has been advised

#### Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in Part 3 of this report.

<p>that this delay has impacted the IOC date.</p> <p>Additional notification was received from USAF in June 2023 of further delays to aircraft delivery. Completion of Information and Communications Technology (ICT) Integration is impacted by delays to aircraft delivery.</p> <p>The program has significant engineering, integration and flight test activities yet to be completed, which have the potential to result in further schedule delays. The completion of an initial series of flight test activities are critical milestone events which will inform the project on the residual schedule risks associated with achieving the IOC and Final Operational Capability (FOC) milestones.</p>
<p><b>Material Capability/Scope Delivery Performance</b></p> <p>As at 30 June 2023, this project has not delivered any material capability.</p> <p>The AIR555 Phase 1 facilities built at Edinburgh is being managed with consideration of the Intelligence, Surveillance and Reconnaissance (ISR) Enterprise at the RAAF Base. The Interim Operating Facility, the first facility to be delivered through SEG, was completed in Quarter 4, 2022, which will support the integration and test of ground systems for AIR555 Phase 1. The simulator facility was completed in Quarter 1, 2023.</p>
<p><b>Note</b></p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

### 1.3 Project Context

<p><b>Background</b></p> <p>AIR555 Phase 1 will deliver an ISREW capability to Defence through a FMS acquisition. Government provided initial (Government Gate Zero) project approval in July 2014. The Capability Gate Review Board in November 2014, delayed the progression of AIR555 Phase 1 until the Force Structure Review and Defence Capability Plan 2015 were released.</p> <p>Government Gate 1 (First Pass) approval occurred in December 2015. AIR555 Phase 1 First to Second Pass activity included development of a detailed acquisition schedule, High Quality Cost Estimate (HQCE) and technical Risk Reduction Activities (RRAs). These were conducted under FMS Cases through the USAF Big Safari ISREW program managed by the 645<sup>th</sup> Aeronautical Systems Group, with L3Harris Technologies, Inc. Mission Integration as the USAF Prime Contractor.</p> <p>The costs developed through the HQCE, when combined with the inability to change the AIR555 Phase 1 Integrated Investment Program allocation and phasings, necessitated a further review of the project by the Capability Manager Gate Review (CMGR) and Investment Committee (IC). The results of this review were a review of the number of aircraft, and a revised IOC and FOC dates. The CMGR and IC also agreed to purchase two unmodified G550 aircraft during First Pass activities, which in turn were to be delivered to L3Harris Technologies, Inc. Mission Integration.</p> <p>Gate 2 (Second Pass) Government approval was provided in September 2017. Government approved the production of four MC-55A Peregrine aircraft, two Aircraft Capability Extension Systems (ACES), two secure access control systems, one mission crew training system and one ground data processing system. CASG was also to arrange for four ACES crews, training and standardisation staff, maintenance crews, operational test and equipment, accredited main operating base and forward operating bases, achieve airworthiness requirements and establish a System Program Office (SPO).</p> <p>The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017 and onwards. As Defence's approach to market activity had commenced in 2016 the project did not undergo a Smart Buyer risk assessment or review.</p>
<p><b>Uniqueness</b></p> <p>AIR555 Phase 1 is a FMS acquisition program from the USAF however, it is not a traditional FMS program. AIR555 Phase 1 will deliver a first-of-type, complex, developmental program integrating new ISR systems, antennae, power system modifications, communications systems and extensive modifications to a commercial GAC G550 outer mold line.</p> <p>The program will incorporate multiple phases of the major modification at the aircraft manufacturer (GAC), followed by a comprehensive mission system integration and test program at L3Harris Technologies, Inc. Both of these activities will require Federal Aviation Authority airworthiness certification (Supplemental Type Certification). In addition, there will be a military certification process to follow for specialist military equipment installed during the modification program.</p> <p>AIR555 Phase 1 design changes to the outer mold line will require significant engineering to be compliant with the AIR555 Phase 1 design requirements (size, weight, weight distribution and power). These extensive modifications include additional power within the aircraft and a modification of the Rolls Royce engine, cooling and an increase of maximum zero fuel weight for the airframe.</p>
<p><b>Major Risks and Issues</b></p> <p>The project is a developmental program with significant engineering, integration and flight test activities yet to be completed. These High risk activities have the potential to result in schedule delays to initial product delivery, with a high likelihood that additional contingency will be required.</p> <p>The major program risks and issues are associated with:</p> <ul style="list-style-type: none"> <li>• Phase modifications and flight test schedule;</li> <li>• Communications and Ground Mission System (GMS);</li> <li>• Platform aerodynamic stability and structural life;</li> <li>• Certification and accreditation;</li> <li>• Hazardous substances being delivered within FMS items;</li> <li>• The Flight Test Program identifying issues that require additional non-recurring engineering and testing;</li> <li>• The pilot training program;</li> <li>• Maturity of the in-service support program; and,</li> <li>• Delivery delays due to COVID and workforce issues.</li> </ul>
<p><b>Other Current Related Projects/Phases</b></p> <p>Nil.</p>

## Project Data Summary Sheets

Auditor-General Report No.14 2023–24  
2022–23 Major Projects Report

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

## Section 2 – Financial Performance<sup>2</sup>

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

Date	Description	\$m	Notes
<b>Project Budget</b>			
Aug 14	Original Approved (Government Interim Approval)	3.2	
Apr 15	Real Variation – Real Cost Increase	3.4	1
Jan 16	Government First Pass Approval	102.1	2
Jan 16	Real Variation – Real Cost Increase	149.7	2
Feb 18	Government Second Pass Approval	1,907.9	
	<b>Total at Second Pass Approval</b>	<b>2,166.3</b>	
May 19	Real Variation – Budgetary Adjustment	(2.9)	3
Aug 21	Real Variation – Transfer	0.4	4
Sep 21	Real Variation – Transfer	2.0	5
Sep 22	Real Variation – Transfer	43.7	6
Jun 23	Exchange Variation	150.8	
Jun 23	<b>Total Budget</b>	<b>2,360.2</b>	
<b>Project Expenditure</b>			
Prior to Jul 22	Contract Expenditure – FMS Case AT-D-QCS	(911.1)	
	Contract Expenditure – FMS Case AT-D-SAB	(347.3)	
	Contract Expenditure – FMS Case AT-D-SAA	(132.9)	
	Contract Expenditure – FMS Case AT-D-GCA	(78.7)	
	Contract Expenditure – Rolls Royce Australia Services Pty Ltd	(8.1)	
	Other Contract Payments / Internal Expenses	(20.4)	7
		(1,498.4)	
FY to Jun 23	Contract Expenditure – FMS Case AT-D-SAB	(103.1)	
	Contract Expenditure – FMS Case AT-D-QCS	(73.9)	
	Contract Expenditure – Rolls Royce Australia Services Pty Ltd	(10.9)	
	Contract Expenditure – FMS Case AT-D-GCA	0.4	
	Other Contract Payments / Internal Expenses	(5.0)	8
		(192.5)	
Jun 23	<b>Total Expenditure</b>	<b>(1,690.9)</b>	
Jun 23	<b>Remaining Budget</b>	<b>669.3</b>	
<b>Notes</b>			
1	Update to Pre First Pass Project Development Fund to progress the project through continued engagement with stakeholders.		
2	Post First Pass guidance transfer to procure two aircraft and conduct RRAs to inform Second Pass. This amount is inclusive of the First Pass approval amount.		
3	Budgetary adjustment correction to re-profile journal.		
4	Transfer of Air Force Head Quarters (AFHQ) project administrative contingency budget to CASG to manage.		
5	Transfer of AFHQ project administrative budget to CASG to manage.		
6	Transfer of SEG budget to CASG to manage.		
7	Other Contract Payments / Internal Expenses: Includes above the line contractor support (\$13.2m), ad hoc expenditure (\$3.7m), travel (\$2.2m), and project administration activities (\$1.3m).		
8	Other Contract Payments / Internal Expenses: Includes above the line contractor support (\$4.2m), and travel (\$0.7m).		

#### Notice to reader

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

## 2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
308.8	181.0	212.0	<b>Portfolio Budget Statement (PBS) to Portfolio Additional Estimates Statement (PAES):</b> The increase in estimate from PBS to PAES is primarily due to the acceleration of Prime Contractor forecasts associated with FMS. <b>PAES to Final Plan:</b> The increase in estimate from PAES to Estimate Final Plan is due to exchange fluctuations change.
Variance \$m	(127.7)	30.9	Total Variance (\$m): (96.8)
Variance %	(41.4)	17.1	Total Variance (%): (31.4)

## 2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		-	Australian Industry	FY 2022-23 expenditure was \$192.5m against the budget of \$212.0m. The variation is associated with slippage to Prime Contract effort on FMS.
		(19.4)	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
212.0	192.5	(19.4)	<b>Total Variance</b>	
		(9.2)	<b>% Variance</b>	

## 2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
FMS Case – AT-D-GCA	Dec 15	81.8	79.5	Reimbursement (for FMS)	FMS	1
FMS Case – AT-D-SAA	Dec 15	134.4	133.0	Reimbursement (for FMS)	FMS	1
FMS Case – AT-D-QCS	Aug 17	0.4	1,109.1	Reimbursement (for FMS)	FMS	1, 2
FMS Case – AT-D-SAB	Jan 18	546.5	730.2	Reimbursement (for FMS)	FMS	1, 3
Rolls Royce Australia Services Pty Ltd – Spare Engine	Aug 21	18.3	21.1	Firm or Fixed	Standard Defence Contract	1, 4
<b>Notes</b>						
1	Variations due to exchange rate fluctuations.					
2	Original FMS Case 0.4m to engage USAF contractors to commence contractual documentation in anticipation of executable contract at AIR555 Phase 1 Second Pass Approval. Amendment 1 \$1,032.0m update included modification and delivery of the first two MC-55A aircraft, associated ground systems, long lead items and period of performance extensions. Amendments 2 and 3 were administrative changes to the contract with nil increase in value. Amendment 4 \$41.4m was to account for a Flight Simulator Training Device (FSTD), however \$40.8m of this was funded from sustainment.					
3	Original FMS Case \$546.5m to procure, modify and deliver remaining two MC-55A aircraft, also delivery of remaining ground systems and integrated logistics support (ILS) to meet FOC requirements. Amendment 1 \$222.1m for spares, support and test equipment, fly away kits and initial training for airborne and ground based operator crews, however ~\$87.5m of this was funded from sustainment. Amendment 2 \$84.0m for spares and workforce elements, however \$76.1m of this was funded from sustainment.					
4	Direct Commercial Sale for the procurement of a Rolls Royce BR710 spare engine.					

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
FMS Case - AT-D-GCA	N/A	N/A	To provide First to Second Pass program management, technical and engineering services to support AIR555 Phase 1 schedule and technical risk reduction activities.	-
FMS Case - AT-D-SAA	2	2	Procure two green unmodified GAC G550 aircraft.	-
FMS Case - AT-D-QCS	2	2	Modification of two aircraft and associated support equipment, associated ground systems, long lead items period of performance extensions, a FSTD, and	-

## Project Data Summary Sheets

Auditor-General Report No.14 2023–24  
2022–23 Major Projects Report

			administrative changes.	
FMS Case - AT-D-SAB	2	2	Procure, modify & deliver two green unmodified GAC G550 aircraft including remaining GMS, ILS to support FOC. Amendments to initial contract increased contract scope to include spares, support and test equipment, fly away kits, initial training for airborne and ground based operator crews, and workforce elements.	1
Rolls Royce Australia Services Pty Ltd	1	1	Procurement of Spare Engine.	-
Major equipment accepted and quantities to 30 Jun 23				
Nil				
Notes				
1	A FSTD is procured under this FMS Case but funded and accounted for within the Sustainment Budget and therefore is not included in this table.			

#### 2.4 Australian Industry Capability

Summary	
The project has no contracted Australian Industry Capability (AIC) targets or an AIC Plan for its United States (US) Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.	
The project has no contracted AIC targets or an AIC Plan for Rolls Royce Australia Services Pty Ltd as this was a direct sole source procurement from Rolls Royce (Australia) sourced from Rolls Royce (Germany) as the Original Equipment Manufacturer.	
Note	
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.	

### Section 3 – Schedule Performance

#### 3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	Aircraft Phase 1	N/A	N/A	Oct 16	N/A	1
	Aircraft Phase 2	N/A	N/A	Dec 16	N/A	1
Preliminary Design	Aircraft Phase 1	N/A	N/A	Jun 17	N/A	1
	Aircraft Phase 2	N/A	N/A	Jun 19	N/A	1
Critical Design	Aircraft Phase 1	N/A	N/A	Nov 17	N/A	1
	Aircraft Phase 2	N/A	N/A	Sep 20	N/A	1
Notes						
1	The Commonwealth of Australia (CoA) is not in contract for the above major reviews, nor similar reviews with the USAF due to being a FMS Case arrangement. The USAF (Prime) and L3Harris Technologies, Inc. (USAF Prime Contractor) have contractual arrangements in place with each other that does include similar major reviews. However, the CoA is not privy to these contractual arrangements.					

#### 3.2 Contractor Test and Evaluation Progress

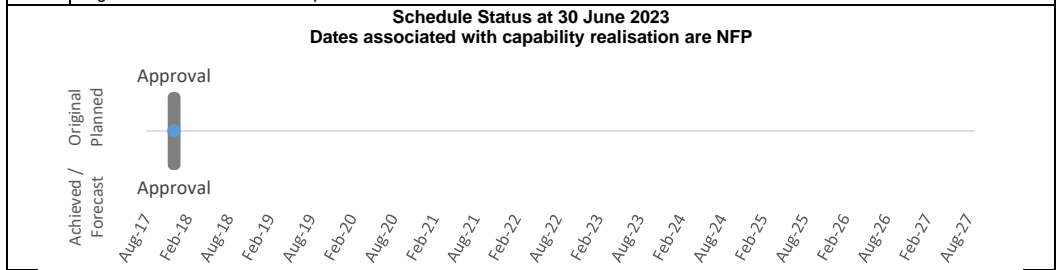
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Completion of Ground System #2 ICT Integration in Australia	Not For Publication (NFP)	N/A	NFP	NFP	1, 3, 4, 5
	Completion of Ground System #1A ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 3, 4, 5
	Completion of Ground System #3 ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 4, 5
	Completion of Ground System #1B ICT Integration in Australia	NFP	N/A	NFP	NFP	1, 4
Acceptance	Completion of CIOG Acceptance Test & Evaluation (AT&E)	NFP	N/A	NFP	NFP	1, 2, 5
Notes						
1	Dates associated with capability realisation are not for public release.					
2	AT&E acceptance by CIOG is an internal Defence milestone, with no associated contract.					
3	Delays associated with Phase 1 engineering and COVID-19 workforce have also impacted forecast completion milestones.					
4	N/A - The CoA does not have a commercial relationship with contractors under the FMS acquisition arrangement.					

5	Notifications were received from USAF in October 2022 and June 2023 of additional delays to aircraft delivery (with the project moderating the forecasted delays), impacting flight test and certification requirements. Completion of ICT Integration is also impacted by delays to aircraft delivery.
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### 3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	NFP	NFP	NFP	1, 2, 4, 5
Initial Operational Capability (IOC)	NFP	NFP	NFP	2, 4, 5
Final Materiel Release (FMR)	NFP	NFP	NFP	3, 4, 5
Final Operational Capability (FOC)	NFP	NFP	NFP	4, 5

Notes	
1	IMR definition was expanded from only being arrival of Aircraft #1, to include initial operating ground systems and a Forward Operating Base (FOB), which resulted in a forecast variance required to achieve the milestone.
2	IMR & IOC have been re-baselined due to Phase 1 engineering and COVID-19 workforce issues. An updated MAA was approved by the Capability Sponsor in April 2022.
3	FMR definition was expanded from only being arrival of Aircraft #4, to include operating ground systems, three forward operating bases, one deployable system and completion of Operational Test & Evaluation (OT&E), which resulted in a forecast variance required to achieve the milestone.
4	Dates associated with capability realisation are not for public release.
5	Notification was received from USAF in October 2022 and June 2023 of additional delays to aircraft delivery and impacting flight test and certification requirements.



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

## Section 4 – Materiel Capability/Scope Delivery Performance

### 4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
	<b>Green:</b> The AIR555 Phase 1 Project Office (PO) expects to provide all deliverables and capability requirements as per agreement with Government.
	<b>Amber:</b> N/A
	<b>Red:</b> N/A

Note
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> <li>One MC-55A Peregrine aircraft available for training and operations;</li> <li>Ground Systems installed, integrated, and available to support one MC-55A; and</li> <li>One FOB sufficient to support operations.</li> </ul>	Not yet Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> <li>Two MC-55A crews;</li> <li>One ground based mission crew;</li> <li>Two maintenance Crews;</li> <li>In-service support available to support operation of one MC-55A;</li> <li>Established PO; and</li> <li>One MC-55A FSTD 'Stage 1' Available for Training.</li> </ul>	Not yet Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> <li>Total of four MC-55A Peregrine aircraft available for training and operations;</li> <li>Ground Systems installed, integrated, and available to support one MC-55A;</li> <li>Accredited FOB facilities;</li> <li>One Modular Processing System available to deploy from the Main Operating Base; and</li> <li>Completion of OT&amp;E.</li> </ul>	Not yet Achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> <li>MC-55A crews available to support operation of four MC-55A;</li> <li>ACES crews available to support operation of one MC-55A;</li> <li>Maintenance crews available to support operation of four MC-55A;</li> <li>Training and standardisation staff;</li> <li>Achievement of all airworthiness requirements to support scope of intended operations;</li> <li>Establishment of all initial operational support, logistics &amp; commercial maintenance arrangements to support the scope of intended operations;</li> <li>Established SPO to support the full capability; and,</li> <li>MC-55A FSTD upgrade to 'Stage 2' available for training.</li> </ul>	Not yet Achieved

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that the MC-55A Phase 2 modification will be impacted by unforeseen design and integration complications, leading to an impact on cost and schedule.	The AIR555 Phase 1 Resident Project Team (RPT) will conduct a review of the L3Harris Technologies, Inc. design against the AIR555 Phase 1 Functional Performance Specification (FPS) and will monitor system performance through insight into laboratory test activities.
2	There is a risk that MC-55A Beyond Forward Operations Base (BFOB) capability may be limited at FOC, leading to additional expenditure in order to achieve the required capability.	The AIR555 Phase 1 PO will continue to investigate existing ADF deployable solutions and work through issues to develop a suitable BFOB capability. The PO will also maintain engagement with Australian Signals Directorate (ASD) regarding deployable secure facilities.
3	There is a risk that the communications design will not meet operational needs, leading to an impact on sustainment costs in order to achieve the capability.	The AIR555 Phase 1 RPT is engaging with USAF to understand current system design limitations, with a design review to be completed to inform future decisions. The RPT will review Phase 2 flight test data to understand any additional CIOG support requirements.
4	There is a risk the Australian airworthiness authorities will require additional information to satisfy Australian Defence Aviation Safety Regulations, requiring rectification that impacts on schedule and cost.	The AIR555 Phase 1 PO has regular engagement with the regulator and USAF certification authorities to understand where issues might present. The PO will provide a dedicated workforce to cover the high intensity review period between flight testing and certification.
5	There is a risk that the AIR555 Phase 1 Work Health and Safety (WHS) compliance will be affected by a misalignment between Australian and American safety standards, culture and programs, leading to an impact on system compliance and safety.	FPS requirements reflect Australian WHS requirements. AIR555 Phase 1 has also provided additional guidance to L3Harris Technologies, Inc. on Australian WHS requirements. AIR555 Phase 1 PO participates in quarterly US Government led System Safety meetings to ensure key stakeholders understand the full scope of effort required to identify all hazardous material in the delivered system. Australian reviews of deliverables will ensure requirements have been met across the entire modified aircraft and ground systems.

6	There is a risk that the AIR555 Phase 1 ICT integration will be affected by differences between the US and Australian Certification and Accreditation (C&A) standards, leading to schedule delays in approvals.	The AIR555 Phase 1 PO has initiated a Certification and Accreditation Working Group with L3Harris Technologies, Inc. / Military Platform Integration (MPI)/CASG/ASD to work through the differences. Also, CIOG-MPI are developing C&A timelines and resourcing requirements. CIOG-MPI are also engaging with certification agencies at senior levels to improve engagement and response.
7	There is a risk that the AIR555 Phase 1 GMS operation will be affected by inadequate design information, leading to delayed integration with Australian networks.	The AIR555 Phase 1 PO has re-established Technical Interchange Meetings to increase data exchange between the US Government and CIOG to ensure CoA has access to the required design information.
8	There is a risk that the MC55 publications manuals and technical data will contain some deficiencies during initial in-service, leading to an impact on capability and aircraft delivery.	The AIR555 Phase 1 RPT is working with L3Harris Technologies, Inc. on the content, look and feel of the Aircraft's Flight Manuals to ensure an adequate solution is delivered. The RPT is also working to ensure that any L3Harris Technologies, Inc. Publication Management System meet CoA requirements. During the training period in 2023, Australian staff will review the manuals and procedures to ensure they are fit for purpose.
9	There is a risk that the MC-55A Simulator C&A may not meet Air Force requirements leading to an impact on Tactics, Training and Procedures.	The AIR555 Phase 1 RPT to continue liaising with USAF/ L3Harris Technologies, Inc. to ensure CoA C&A requirements are included in the USAF contracts to meet the CoA MC-55A Simulator C&A requirements. This Risk was rated High but has been downgraded to Medium due to reduction of likelihood.

Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
1	There is a risk that the MC55 Pilot Proficiency will be affected by insufficient/reduced/compressed Aircraft #1 flying program leading to an impact on OT&E and IOC.	A second airframe and flying window will be utilised to conduct dedicated pilot training in order to achieve the required competencies and proficiencies needed. Generating additional opportunities for more flying hours will reduce the risks to schedule leading up to IOC. By achieving both pilot proficiency requirements and crew training requirements prior to in-service delivery, the risk to the OT&E program schedule will be reduced, which further minimises risk to IOC.
2	There is a risk that a delay in delivery of spares and support and test equipment lists will affect the ability for the PO to set up appropriate procurement actions and support arrangements, leading to an impact on in-service aircraft availability.	ILS team is proactively reviewing all available data, including draft publications delivered to RPT to identify items to be checked on extant Logistics Information Management System (LIMS). Where items of supply are identified as a possible Cross SPO candidates, investigate North Atlantic Treaty Organisation (NATO) Master Catalogue of References for Logistics to confirm if item is codified. If item is FMS, search LIMS to confirm items requested (NATO Stock Number and Part Numbers).
3	There is a risk that CIOG development/delivery of ICT support systems will be affected by later transfer of tech data, leading to a schedule or performance impact on OT&E program.	To avoid this risk from materialising the engineering team reverted to a mixture of FMS-procured ICT devices and some CIOG procured devices. This Risk was rated High but has been downgraded to Medium due to reduction of likelihood.

#### 5.2 Major Project Issues

Ref#	Description	Remedial Action
1	The MC-55A Ph1 design has been affected by unforeseen complications, with the CoA unique design requirements requiring additional non-recurring engineering, leading to an impact on cost and schedule.	The project applied contingency in the FY 2020-21 for the treatment of technical performance issues. The AIR555 Phase 1 RPT will maintain engagement with the USAF/ L3Harris Technologies, Inc. / GAC during testing to understand the impacts of any design shortfalls and how to minimise the cost and schedule impacts. The RPT has sought additional structural substantiation data in order to support risk characterisation and understand potential impacts for the in-service structural life limits (ongoing airworthiness).
2	The MC-55A design has been impacted by airframe structural exceedances, which required additional structural analysis and aircraft modifications leading to an impact on cost and schedule.	The project applied contingency in the FY 2020-21 for the treatment of technical performance issues. GAC has conducted analysis and is incorporating design changes where necessary.

### Project Data Summary Sheets

Auditor-General Report No.14 2023–24  
2022–23 Major Projects Report



3	American Government and/or contractors' deliverables have been affected by the COVID-19 pandemic leading to the delayed delivery of Aircraft #1 and # 2 and therefore delayed achievement of IOC. (Note - The risk pertains primarily to USAF Contractors L3Harris Technologies, Inc., GAC and sub-contractors).	Due to being an FMS acquisition, there is little the CoA can do to mitigate this issue. Though a detailed review of schedule to IOC has been conducted, minimal mitigation actions have been determined. IOC has been delayed from the original date. Note that analysis of the schedule identified delays only impacting IOC and FOC is not impacted at this stage due to AIR555 Phase 1 being an FMS acquisition.
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<b>Note</b>
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

## Section 6 – Lessons Learned

### 6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
The project is in the process of implementing a lessons approach that achieves compliance with Defence instruction and CASG Lessons policy. The project has captured four lessons related to Resourcing and Governance. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorised any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Observation. Have a well-established Workforce Plan (based on the resourced schedule scope) in place for current and future demands depending on the stage of the Capability Life Cycle and project requirements. Allow for contingencies in your plan in the event that the specified resources are unavailable within the Australian Public Service or ADF. These contingencies can include reservists, contractors, shared resources with similar organisations, etc. Additional funding within the budget should be factored in for some of these contingencies, such as contractors.	Resourcing and Governance
Lesson Type – Observation. Ensure the project scope is represented by a well maintained Work Breakdown Structure. Improving the maturity of project management artefacts (Work Breakdown Structure, schedule, risk register), and maintaining consistent tracking and reporting against these. Layers of analysis of the schedule and risk register has allowed a consistent forecasting and reporting framework.	Governance
Lesson Type – Observation. Maintain a robust, consistent configuration management system to ensure project activities remain within project scope, including cost and schedule.	Governance

## Section 7 – Project Structure

### 7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Aerospace Systems Division
Branch	Airlift and Tanker Systems Branch