

Project Data Summary Sheet¹

Project Number	LAND121 Phase 3B
Project Name	MEDIUM HEAVY CAPABILITY, FIELD VEHICLES, MODULES AND TRAILERS
First Year Reported in the MPR	2013-14
Capability Type	Replacement
Capability Manager	Chief of Army
Government 1st Pass Approval	Jun 04 – Phase 3 Dec 11 – Phase 3B
Government 2nd Pass Approval	Aug 07 – Phase 3 Jul 13 – Phase 3B
Budget at 2nd Pass Approval	\$2,549.2m (Budget split from Phase 3) \$3,284.8m (Revised Second Pass Approval)
Total Approved Budget (Current)	\$3,399.7m
2022–23 Budget	\$26.3m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

<p>LAND121 Phase 3 was established to replace the current fleet of Australian Defence Force (ADF) Field Vehicles, Modules and Trailers (FVM&T) and will enhance the ground mobility of the ADF.</p> <p>In December 2011, Government approved the splitting of LAND121 Phase 3 into two projects:</p> <ul style="list-style-type: none"> • LAND121 Phase 3A – Lightweight and Light Capability (LLC), incorporating the approved Phase 5A; and • LAND121 Phase 3B – Medium and Heavy Capability (MHC). <p>LAND121 Phase 3B will upgrade and replace the existing medium and heavy vehicle and trailer fleet. Vehicles (protected and unprotected) consisting of nine variants, will be introduced by the project including cargo, tractor, recovery and tanker functions. Ten trailer variants for general cargo, equipment transport, and tanker capability will also be acquired. Fleet flexibility will be supplemented by flatracks and modules that will permit the rapid deployment of stores (including maintenance and combat engineering), fuel and water tankers and specialist bridging capabilities.</p> <p>The following vehicles, trailers and modules are being acquired:</p> <ul style="list-style-type: none"> • 2,536 MHC vehicles and 3,054 modules (including 55 Command Post Heavy (CPH) modules) supplied by Rheinmetall MAN Military Vehicles Australia Pty Ltd; • 1,582 trailers from Haulmark Trailers (Australia) Pty Ltd; • 122 Geländewagen (G-Wagon) fitted with maintenance modules (GMM) supplied by Mercedes-Benz Australia/Pacific Pty Ltd and associated trailers supplied by Haulmark Trailers (Australia) Pty Ltd, acquired by LAND121 Phase 3A; • 49 in-service Bushmaster Protected Mobility Vehicles upgraded to customised General Maintenance Vehicle variants and associated trailers; • 18 Line Laying Modules acquired by LAND121 Phase 3A; • A further 664 specialist modules are to be acquired. <ul style="list-style-type: none"> ◦ 170 Personnel Restraint Modules (PRM) from United Rentals Australia Pty Ltd; and ◦ 494 Modules Gun Ammunition (MHGA) and Modules Gun Stores (MHGS) from ECLIPS Pty Ltd.

1.2 Current Status

<p>Cost Performance</p> <p><u>In-year</u></p> <p>As at 30 June 2023, Financial Year (FY) 2022-23 expenditure was \$26.3m against a FY 2022-23 budget of \$26.3m. The project met their End of Financial Year (EOFY) budget.</p> <p><u>Project Financial Assurance Statement</u></p> <p>As at 30 June 2023, project LAND121 Phase 3B has reviewed the approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope.</p>

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>Contingency Statement The project has not applied contingency in FY 2022-23.</p>
<p>Schedule Performance Phase 3B has progressed through the design phases for all Rheinmetall MAN Military Vehicles Australia Pty Ltd contracted vehicles, modules and Haulmark Trailers (Australia) Pty Ltd trailers.</p> <p>The project achieved the Initial Materiel Release (IMR) milestone in November 2018, ahead of the scheduled date of December 2018 and achieved Initial Operational Capability (IOC) with a caveat on vehicle air certification, by the originally planned date of December 2019. Rheinmetall MAN Military Vehicles Australia Pty Ltd has been requested by Air Movements Training and Development Unit (AMTDU) to provide additional technical data to inform air certification clearance. This issue is being closely managed by Capability Acquisition and Sustainment Group (CASG) and the Capability Manager.</p> <p>In the 2021-22 PDSS, the project reported potential delays to the Final Materiel Release (FMR) and Final Operational Capability (FOC) milestones from COVID-19 impacts in meeting the Directed Training Requirement (DTR); the outstanding work to achieve air certification; and, the time required to finalise the user requirements and deliver the remaining specialist modules. These delays have now been realised. Army identified that FOC would not be met as currently approved and would be delayed from December 2023 until December 2026.</p>
<p>Materiel Capability/Scope Delivery Performance As described in the Schedule Performance above, the project achieved IOC with a caveat on air certification. Schedule management remains a key focus and is being closely managed by CASG and the Capability Manager.</p> <p>As at 30 June 2023 Rheinmetall MAN Military Vehicles Australia Pty Ltd delivered 2,536 of 2,536 vehicles and 2,999 of 3,054 modules.</p> <p>Haulmark Trailers (Australia) Pty Ltd has delivered 1,582 of 1,582 MHC companion trailers and 122 light/lightweight GMM companion trailers acquired by LAND121 Phase 3A.</p> <p>Mercedes-Benz Australia/Pacific Pty Ltd has delivered 122 of 122 GMM.</p> <p>Thales has upgraded 49 of 49 in-service Bushmaster Protected Mobility Vehicles to customised General Maintenance Vehicle variants along with associated trailers.</p> <p>18 Line Laying Modules have been acquired by LAND121 Phase 3A.</p> <p>A contract was signed with United Rentals Australia Pty Ltd, for the delivery of 170 PRM modules in December 2021.</p> <p>A contract was signed with ECLIPS Pty Ltd, for the delivery of 450 MHGA and 44 MHGS modules on 29 May 2023.</p> <p>The Capability Manager has advised that the CPH module scope under LAND121 Phase 3B is being reconsidered, and an alternate project for delivery may be identified.</p>
<p>Note Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background Project LAND121 is a multi-phased project to provide the ADF with the FVM&T and associated support systems to meet ADF mobility requirements including logistic distribution, command and liaison, casualty evacuation, troop lift, and the provision of mobility for specialist assets such as command shelters and communications terminals.</p> <p>In August 2007, LAND121 Phase 3 was approved to acquire 1,187 Mercedes-Benz G-Wagons, and 973 matching trailers from Haulmark Trailers (Australia) Pty Ltd. In August 2011, Government approved the acquisition of an additional 959 G-Wagons and 826 trailers under LAND121 Phase 5A.</p> <p>Phase 3 was also intended to acquire medium and heavy FVM&T; however, the Commonwealth withdrew from negotiations with the preferred tenderer, and a tender resubmission process was initiated in December 2008. In December 2011, Defence announced negotiations would commence with the preferred tenderers, Rheinmetall MAN Military Vehicles Australia Pty Ltd for the MHC vehicle and module requirements and with Haulmark Trailers (Australia) Pty Ltd for the MHC trailer requirements.</p> <p>Concurrently, Government approved the splitting of LAND121 Phase 3 into two projects: LAND121 Phase 3A for the LLC approved under Phase 3 and amalgamating this with the additional scope approved under Phase 5A; and LAND121 Phase 3B to progress the Phase 3 MHC scope elements. This decision effectively closed Phase 3 and amounted to a combined pass approval for the new Phase 3A and an 'interim pass' approval for the new Phase 3B. The December 2011 approval allowed the continuation of contracted activities toward the LLC acquisition and the ongoing negotiations for the MHC contracts for Phase 3B. Phase 3B was required to seek a supplementary second pass approval following contract negotiations.</p> <p>Phase 3A LLC Contract Amendments were executed in January 2012 and Phase 3B achieved second pass approval in July 2013 with contracts executed shortly after.</p>
<p>Uniqueness LAND121 Phase 3B is to deliver the FVM&T capability to multiple locations throughout Australia and on operational service overseas. This presents a unique logistic challenge in having a robust support system that will achieve stated availability requirements for the lowest life cycle cost.</p>
<p>Major Risks and Issues The project is currently managing the following major risks:</p> <ul style="list-style-type: none"> • MHGA/MHGS, PRM and CPH delivery delays; • Hazards from carrying Ammunition on communications enabled Gun Tow Vehicle (GTV). <p>The project is currently managing the following emergent risk:</p>

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<ul style="list-style-type: none"> Inadequate contractor/supplier resourcing. <p>The project is managing the following major issues:</p> <ul style="list-style-type: none"> Finalisation of User Requirements for uncontracted modules; AMTDU Certification; and, Impact of COVID-19.
<p>Other Current Related Projects/Phases</p> <p>LAND121 is a multi-phased project providing the ADF with current-generation high-capability FVM&T.</p> <p>Other LAND121 projects are:</p> <ul style="list-style-type: none"> LAND121 Phase 4 - Protected Mobility Vehicle - Light (Hawkei). Will acquire and deliver into service 1,098 Protected Mobility Vehicles – Light (PMV-L) and 1,058 associated trailers. The PMV-L will perform command, reconnaissance, liaison and utility roles. LAND121 Phase 5B - Medium and Heavy Capability within the Non-Combat Vehicles Program. Approved in June 2018, will acquire and deliver into service an additional (to Phase 3B) 1,044 vehicles with 872 modules and 812 trailers.
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Dec 11	Original Approved (Prior to budget split of 3A and 3B)	3,237.7	1
Jun 12	Exchange Variation	(66.5)	
	Budget as of 30 June 2012	<u>3,171.2</u>	
Jul 12	Real Variation – Scope (Funds retained by 3A)	(622.0)	2
Jul 12	Original Approved (Phase 3B budget split from Phase 3)	<u>2,549.2</u>	
	Exchange Variation to opening budget	23.3	3
	Real Variation – Scope	7.0	4
	Real Variation – Scope	21.0	5
	Real Variation – Project Supplementation	684.2	6
	Total at Second Pass Approval (Revised)	<u>3,284.8</u>	
Nov 18	Real Variation - Budgetary Adjustment	(30.0)	7
Jun 23	Exchange Variation	<u>144.9</u>	
Jun 23	Total Budget	<u>3,399.7</u>	
	Project Expenditure		
Prior to Jul 22	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	(2,065.5)	
	Contract Expenditure – Haulmark Trailers (Australia) Pty Ltd (Acquisition)	(470.9)	
	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	(15.5)	
	Contract Expenditure – United Rentals Australia Pty Ltd (Acquisition)	(3.0)	
	Other Contract Payments / Internal Expenses	(256.8)	8
		<u>(2,811.7)</u>	
FY to Jun 23	Contract Expenditure – Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	(11.0)	
	Contract Expenditure – Haulmark Trailers (Australia) Pty Ltd (Acquisition)	(1.6)	
	Contract Expenditure – United Rentals Australia Pty Ltd (Acquisition)	(1.5)	
	Other Contract Payments / Internal Expenses	(12.2)	9
		<u>(26.3)</u>	
Jun 23	Total Expenditure	<u>(2,838.1)</u>	

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.

Jun 23	Remaining Budget	561.6
Notes		
1	Phase 3 project budget prior to the split into Phase 3A and Phase 3B.	
2	Retention of Light Capability scope by LAND121 Phase 3A.	
3	Update of exchange rates from approval to 2012-13 PBS rates.	
4	Transfer of funds from LAND116 Phase 3 for acquisition of trailers.	
5	Transfer of funds from JP2059 Phase 2 Bulk Liquid Distribution for acquisition of some vehicles and associated equipment to facilitate fuel and water transportation.	
6	Provision for general program supplementation associated with easing cost pressures identified during scoping for project approval, as per revised second pass approval.	
7	Budget Adjustment of \$30.0m was approved by Government in November 2018. The \$30.0m adjustment from LAND121 Phase 3B will be returned to the budget of LAND121 Phase 5B in 2023-24. LAND121 Phase 5B relates to the acquisition and delivery into service of an additional 1,044 vehicles, 872 modules and 812 trailers. LAND121 Phase 3B and LAND121 Phase 5B are managed by the same project team at Defence.	
8	Other Contract Payments/Internal Expenses comprise of: (\$83.5m) for other project office costs not associated with the prime contracts, (\$73.2m) for salaries, (\$64.1m) for the acquisition of G-Wagons by LAND121 Phase 3A on behalf of LAND121 Phase 3B, and (\$22.3m) for the Protected Mobility Vehicle. An adjustment of \$13.7m was required due to the transition back to accrual accounting from a cash methodology in FY 2019-20.	
9	Other Contract Payments/Internal Expenses comprise of: (\$7.9m) for salaries and (\$4.3m) for other project office costs not associated with prime contracts.	

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
49.1	27.3	26.3	<u>Portfolio Budget Statement (PBS) to Portfolio Additional Estimates Statement (PAES):</u> The variation is due primarily to reprogramming of the uncontracted modules. <u>PAES to Final Plan:</u> Variance is due to savings on training costs.
Variance \$m	(21.8)	(1.0)	Total Variance (\$m): (22.8)
Variance %	(44.4)	(3.7)	Total Variance (%): (46.5)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		0.0	Australian Industry	The project met their EOFY budget.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
26.3	26.3	0.0	Total Variance	
		0.0	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	Jul 13	1,585.9	2,119.7	Variable	Standard Defence Contract	1, 2, 3
Haulmark Trailers (Australia) Pty Ltd (Acquisition)	Jul 13	397.7	485.1	Variable	Standard Defence Contract	1, 2, 3
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	Jul 13	32.3	46.7	Variable	Standard Defence Contract	1, 2, 4
United Rentals Australia Pty Ltd	Dec 21	29.9	30.7	Variable	Standard Defence Contract	3
ECLIPS Pty Ltd	May 23	19.7	21.7	Variable	Standard Defence Contract	3, 5

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Notes	
1	Additional vehicles and trailers, worth \$28.3m and \$4.7m respectively, were funded and procured by LAND121 Phase 3A, on behalf of the LAND121 Phase 3B project.
2	Contract value as at 30 June 2023 is based on actual expenditure to 30 June 2023 and remaining commitment at current exchange rates of EURO 0.6002 and USD 0.6610 based on XR RBA on 30 June 2023, and includes adjustments for indexation (where applicable).
3	Price at 30 June 2023 varies from Price at Signature due to contracted price escalation, and contract changes related to in-scope capability and support.
4	As of 1 July 2020, the Support Contract which has previously been managed by LAND121 Phase 3B has transitioned to Commercial and General Service Vehicle Systems Program Office (CGSVSPO) under CA16 fleet.
5	The contract is for the replacement of the existing ADF set of stores and ammunition modules with two modules that will form part of the Army's artillery capability and integrate for use with the LAND121 Phase 3B MHC Vehicle and Trailer fleet.

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

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Acquisition)	2,536	2,536	MHC vehicles with associated modules	1
Haulmark Trailers (Australia) Pty Ltd (Acquisition)	1,582	1,582	MHC trailers	1
Rheinmetall MAN Military Vehicles Australia Pty Ltd (Support)	N/A	N/A	MHC Support Contract for vehicles and modules	2
United Rentals Australia Pty Ltd	170	170	Personnel Restraint Module	-
ECLIPS Pty Ltd	494	494	Gun Stores and Ammunition Modules	3

Major equipment accepted and quantities to 30 Jun 23

As at 30 June 2023 Rheinmetall MAN Military Vehicles Australia Pty Ltd has delivered 2,536 of 2,536 of the following vehicles:

- Mediumweight Tray: all deliveries completed;
- Mediumweight Tray with Crane: all deliveries completed;
- Mediumweight Tipper (dump): all deliveries completed;
- Heavy Integrated Load Handling: all deliveries completed;
- Heavy Tipper: all deliveries completed;
- Heavy Tractor: all deliveries completed;
- Medium Recovery: all deliveries completed;
- Heavy Recovery: all deliveries completed; and
- Heavy Tanker: all deliveries completed.

and 2,999 of 3,054 of the following modules:

- Flatracks: all deliveries completed;
- Bridge Boat Interface: all deliveries completed;
- Mediumweight Combat Engineer Section Stores: all deliveries completed;
- Mediumweight Maintenance: all deliveries completed;
- Mediumweight Stores: all deliveries completed;
- Heavy Stores: all deliveries completed;
- Heavy Bulk Fuel Pump and Storage: all deliveries completed;
- Heavy Bulk Fuel Storage: all deliveries completed;
- Heavy Bulk Water Pump and Storage: all deliveries completed;
- Heavy Bulk Water Storage: all deliveries completed; and
- CPH Module: delivery not yet commenced.

As at 30 June 2023 Haulmark Trailers (Australia) Pty Ltd has delivered 1,582 of 1,582 of the following matched trailers:

- Mediumweight Cargo trailers: all deliveries completed;
- Heavy ILH trailers: all deliveries completed;
- Heavy Equipment Trailers: all deliveries completed;
- Medium Equipment Transporters: all deliveries completed;
- Heavy Bulk Fuel Tankers: all deliveries completed;
- Heavy Equipment Transporters: all deliveries completed;
- Dolly Low Loaders: all deliveries completed;
- Heavy Cargo trailers: all deliveries completed;
- Heavy Bulk Water Tankers: all deliveries completed; and
- Dolly Road Trains: all deliveries completed.

As at 30 June 2023, United Rentals Australia Pty Ltd has delivered none of the 170 of the PRM.

As at 30 June 2023, ECLIPS Pty Ltd has delivered none of the 494 of the MHGA/MHGS.

Notes	
1	The quantity figures being communicated publicly excludes vehicle and trailer prototypes.

2	As of 1 July 2020, the Support Contract which has previously been managed by LAND121 Phase 3B has transitioned to CGSVSPO under CA16 fleet.
3	The contract is for the replacement of the existing ADF set of stores and ammunition modules with two modules that will form part of the Army's artillery capability and integrate for use with the LAND121 Phase 3B MHC Vehicle and Trailer fleet.

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on, where appropriate, to identify Local Industry Capability which is captured in Rheinmetall MAN Military Vehicles Australia Pty Ltd, Haulmark Trailers (Australia) Pty Ltd, and United Rentals Australia Pty Ltd's AIC Plans in support of their relevant design, development and production of specific hardware, sub-systems and components, project management, systems integration, and test and evaluation activities.
The project has no contracted AIC targets for ECLIPS Pty Ltd due to the low complexity of the procurement, although ECLIPS Pty Ltd has an Australian Industry Activity schedule.
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
Preliminary Design	Vehicles	Dec 14	Aug 15	Dec 15	12	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Aug 14	Feb 15	Mar 15	7	1, 2
	Trailers	Jun 16	Jan 17	Jan 17	7	1, 3
	Personnel Restraint Module	Oct 22	Mar 23	Apr 23	6	4
	MHGA/MHGS	Nov 23	Nov 23	Oct 23	(1)	-
Detailed Design	Vehicles	May 15	Sep 16	Jun 17	25	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Nov 14	Jun 15	Mar 16	16	1, 2
	Trailers	Jan 17	Jul 17	Jun 17	5	1, 3
	Personnel Restraint Module	Jan 24	Nov 23	Nov 23	(2)	5
	MHGA/MHGS	Mar 24	Mar 24	Feb 24	(1)	-
Critical Design	Vehicles	Aug 15	Jan 17	Dec 17	28	1, 2
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Mar 15	Nov 15	Sep 16	18	1, 2
Notes						
1	All dates represent the approval of the exit for the reviews of the last vehicle, module and trailer variants. All vehicles, contracted modules and trailers have now completed preliminary, detailed and critical design review processes.					
2	Vehicle and module variance is due to two re-plans. The first was due to major delays in finalisation of contracts between the prime contractor and its subcontractors. The second was an adjustment to the schedule by the contractor in order to reduce production risks by concentrating on the most mature vehicle variants and slower ramping up of Protected Vehicles.					
3	Trailer variance is due to a change in scope by the Commonwealth of Australia to Group C Trailers.					
4	The Preliminary Design Review (PDR) was conducted in March 2023 and exited in April 2023. The variance to PDR was as a consequence of significant changes to the System Specification, which resulted in delays in exiting the System Definition Review.					
5	Original/contracted date had a logic error. A contract change was executed in November 2022 to correct the logic and update the contracted date.					

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, Acceptance Test and Evaluation (AT&E)	Vehicles	Jul 16	Aug 18	Nov 23	88	1, 2, 3, 4, 7
	Modules (Rheinmetall MAN Military Vehicles Australia Pty Ltd)	Nov 15	Jun 17	Jun 21	67	1, 2, 3, 4, 5, 7
	Trailers	Sep 17	May 18	Jun 18	9	1, 6
	Personnel Restraint Module	Nov 23	Jul 24	Jul 24	8	1, 8
	MHGA/MHGS	Jan 25	Jan 25	Jan 25	0	1
Notes						
1	All dates represent the approval of the Acceptance Verification Reports (AVRs) for the tests of the last vehicle, module and trailer variant.					

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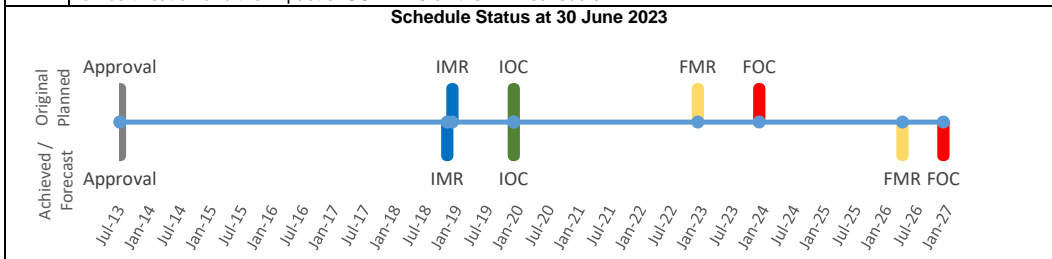
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2	Delays by Rheinmetall MAN Military Vehicles Australia Pty Ltd to secure its subcontractor impacted the completion of verification.
3	Senior management attention (Defence and the Rheinmetall MAN Military Vehicles Australia Pty Ltd board) was expected to improve the schedule performance for completion of AT&E.
4	Current planned date changes to Vehicles and Modules were in accordance with Contract Change Proposal 064 signed 15 July 2016.
5	A CCP in accordance with CCP117 signed 13 July 2017 was executed to address an additional nine-month variance associated with Rheinmetall MAN Military Vehicles Australia Pty Ltd sub-contractor, Holmwood Highgate (Aust.) Pty Ltd delay in progressing the Liquid Module Program.
6	Current planned date changes are in accordance with Group C Integrated Baseline Review (June 2016) outcomes and agreements.
7	The remaining AVRs required to complete the AT&E Program relate to transportation and delays in AMTDU certification has delayed the approval of the remaining AVRs.
8	Original/contracted date had a logic error. A contract change was executed in November 2022 to correct the logic and update the contracted date.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Dec 18	Nov 18	(1)	1
Initial Operational Capability (IOC)	Dec 19	Dec 19	0	2
Final Materiel Release (FMR)	Dec 22	Apr 26	40	3
Final Operational Capability (FOC)	Dec 23	Dec 26	36	3

Notes	
1	IMR was achieved one month earlier than forecast due to all elements of IMR being satisfied and agreed with the Capability Manager in November 2018.
2	IOC was declared with air certification caveat on 12 December 2019.
3	The current forecasted dates for FMR and FOC have been delayed by 40 and 36 months respectively due to the additional time required to finalise the user requirements and delivery of the specialist modules, the ongoing work required to achieve air certification and the impact of COVID-19 on the DTR schedule.



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	
<p>88%</p>	<p>Green: The project is currently meeting materiel capability requirements as expressed in the Materiel Acquisition Agreements (MAA) and in accordance with the requirements of the relevant Technical Regulatory Authorities.</p>
<p>12%</p>	<p>Amber: IOC was achieved with caveats due to delays in achievement of air certification. Achieving air certification by FOC remains a Medium risk after mitigation. Schedule management remains a key focus and is being closely managed by CASG and the Capability Manager. The Capability Manager has advised that the CPH module scope under LAND121 Phase 3B is being reconsidered, and an alternate project for delivery may be identified.</p>
<p>0%</p>	<p>Red: N/A</p>

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

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	IMR requires the following to be delivered: 659 medium and heavy vehicles, 436 modules, 57 trailers, sufficient training for operators and maintainers to support Army's introduction into service plan and adequate logistic support arrangements. Achieved in November 2018.	Achieved
Initial Operational Capability (IOC)	IOC requires the following to be delivered: Based on a Battle Group, which is approximately 100 vehicles, deployed on a Major Defence Training activity (Exercise TALISMAN SABRE or equivalent). IOC was declared by Chief of Army in December 2019 with an air certification caveat.	Achieved with an air certification caveat
Final Materiel Release (FMR)	FMR requires the following to be delivered: 2,707 medium and heavy vehicles, 3,858 modules and 1,753 trailers, achieve the DTR across the entire MHC for operators and maintainers and logistic support arrangements. Forecast achievement April 2026. The current forecasted date for FMR has been delayed by 40 months (due to the additional time required to finalise the user requirements and deliver the specialist modules, the ongoing work required to achieve air certification and the impact of COVID-19 on the DTR schedule).	Not yet Achieved
Final Operational Capability (FOC)	FOC requires the following to be delivered: Complete delivery of 2,707 vehicles, 1,753 trailers and 3,858 modules, acceptance and Introduction Into Service to meet Chief of Army Preparedness Directive requirement to deploy and support a Multi Role Combat Brigade and concurrent Battle Group on operations. Forecast achievement December 2026. The current forecasted date for FOC has been delayed by 36 months (three years) due to the additional time required to finalise the user requirements and deliver the specialist modules, the ongoing work required to achieve air certification and the impact of COVID-19 on the DTR schedule.	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	MHGA/MHGS, PRM and CPH delivery. There is a risk that a combination of technical complexity, contractual complexity, and certification requirements will delay the delivery of modules past the agreed date. That date is FMR and FOC under MAA version 2.2.	The project's overall progress indicates a reduction of technical complexity associated with the remaining modules and increased understanding of technical and contractual requirements. Furthermore, Army identified that FOC would not be met as currently approved and would be delayed from December 2023 until December 2026. This risk has been re-assessed in line with the above and has been downgraded and will be removed at the next MPR. The schedule risk for the delivery of the modules will be managed by the project.
2	Hazards from carrying ammunition on communications enabled GTV. The GTV is fitted with a communications node. Some ammunition components are sensitive to electromagnetic radiation emitted by the communications node. There is a risk that designing to reduce the risk that the fitted communications node will damage or initiate ammunition components on the GTV, may delay MHGA design, incur unidentified/unbudgeted costs and constrain or lessen desired capability.	A number of viable risk treatments have been identified and CASG will be working with the contractor to implement the appropriate risk treatment through the design, training, doctrine and introduction into service process. Consequently, this risk was re-assessed and downgraded and will be removed at the next MPR.
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
3	Inadequate contractor/supplier resourcing. Contractors' deliverables may be impacted by their inability to provide sufficient workforce to meet contracted requirements.	This risk was identified and created in March 2023. Contractors' workforce limitation can lead to delays in delivery of capability and design milestones. The project office is regularly monitoring the contractors' resourcing capacity and working collaboratively to prioritise outstanding activities.

Project Data Summary Sheets

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5.2 Major Project Issues

Ref#	Description	Remedial Action
1	Finalisation of user requirements for uncontracted modules. There is a risk that uncontracted modules may not have robust user requirements, which can be taken to industry to satisfy the capability need. This may lead to cost, schedule or capability risks for the project and Capability Manager.	<p>Overall, the issue of finalisation of user requirements for the remaining modules has been downgraded due to the following:</p> <ul style="list-style-type: none"> PRM – A contract was signed in December 2021 with United Rentals Australia Pty Ltd for the delivery of 170 PRM modules. MHGA/MHGS – The Operational Concept Document (OCD) and Functional Performance Specification for the MHGA/MHGS project have been completed and a contract was signed in May 2023 with ECLIPS Pty Ltd. CPH – the OCD and User Requirements are currently being reviewed by the Capability Manager. <p>Consequently this issue was re-assessed and downgraded and will be removed at the next MPR.</p>
2	AMTDU certification. There is a risk that air transportability will affect project schedule, performance and cost. IOC has been declared with air certification caveats.	<p>Significant progress has been made in obtaining full or caveated clearance for most FVM&T. The Capability Manager has agreed to waive some of the air transportability requirements for Trailers - Medium Equipment Transporters and Heavy Equipment Transporters due to size and weight constraints.</p> <p>Additionally, ongoing engagement with AMTDU and Rheinmetall MAN Military Vehicles Australia Pty Ltd have increased confidence in closing out the remaining clearances. Consequently, this issue was re-assessed and downgraded.</p>
3	Impact of COVID-19. There is a risk that disruptions as a result of the COVID-19 pandemic will cause delays in the achievement of project milestones. The pandemic could impact: supply chains, delivery of mission systems to meet contractual and roll-out schedules, cancellation of events for media/industry, suspension of training delivery, reduced organizational ability to maintain business tempo and business as usual activities; all of which could cause delay to the project.	<p>The level of risk associated with the impact of COVID-19 on the project has been reduced due to proactive risk mitigation effort and effective control measures being undertaken. Consequently, this issue was re-assessed and downgraded and will be removed at the next MPR.</p>

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

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository. The project has captured 17 lessons related to Requirements Management, Contract Management, 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. Durability testing of Commercial Off The Shelf (COTS) equipment early in the project life-cycle (pre-PDR) helped mitigate project risk through early identification of defects and hardening of equipment. Rigorous testing of COTS equipment early in the project life-cycle is encouraged.	Requirements Management
Lesson Type – Observation. Projects of this size and scale will often have numerous dependent projects, many of which will rely on the bigger project running to schedule. The number of requests for information from numerous stakeholder groups sometimes requires prioritisation in order to remain focused on project priorities. This needs careful management to ensure wider Defence priorities and objectives are achieved/supported.	Governance
Lesson Type – Observation. The importance of the Integrated Logistics Support (ILS) discipline cannot be underestimated. ILS involvement and input is recommended to be considered from the establishment of the project and contract establishment, and implementation. Emphasis on ILS together with engineering and project management involvement in Major Systems Reviews and the design process is critical in ensuring that ILS products can adequately support the delivery of the capability.	Resourcing

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Land Systems
Branch	Land Vehicle Systems