Project Data Summary Sheet[158]

Project Number	**JP 2048 Phase 3**
Project Name	**AMPHIBIOUS WATERCRAFT REPLACEMENT**
First Year Reported in the MPR	2013-14
Capability Type	Replacement
Acquisition Type	Australianised MOTS
Capability Manager	**Chief of Navy**
Government 1st Pass Approval	Feb 09
Government 2nd Pass Approval	Sep 11
Total Approved Budget (Current)	**$236.8m**
2016–17 Budget	**$0.0m**
Project Stage	**Final Materiel Release**
Complexity	ACAT III

Section 1 – Project Summary

1.1 Project Description

The JP 2048 Phase 3 project **provides** the Amphibious Deployment and Sustainment capability with a new breed of watercraft that **are** organic to the two new Canberra Class Amphibious Assault Ships, Landing Helicopter Dock (LHD), acquired under JP 2048 Phase 4A/4B. The craft **are** known as LHD Landing Craft (LLC). The LLC interface and operate with the LHD ships and enable transport of personnel and equipment from the LHD ships to the shore, including where there are no fixed port facilities or prepared landing facilities.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2017 there was no variance to the project budget.

Project Financial Assurance Statement

As at 30 June 2017, project JP 2048 Phase 3 has reviewed the approved scope and budget for those elements required to be delivered by the project. Having reviewed the current financial and contractual obligations of the 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.

Contingency Statement

The project has not applied contingency in the Financial Year.

Schedule Performance

The project achieved Final Acceptance in August 2016 (6 months behind schedule) and Final Materiel Release (FMR) in December 2016 (10 months behind schedule). It is awaiting Navy to reschedule the incomplete LHD/LLC interface trials of May 2016 for carriage of heavy loads. The trial is currently forecast for Quarter two, 2018. Completion of the trial will support Navy's achievement of Final Operational Capability (FOC), forecast in mid 2018. This has impacted Project closure, delaying it from December 2016 as scheduled, to mid late 2018.

Materiel Capability Delivery Performance

The project remains on track to deliver the materiel capability as approved at Second Pass.

158 Notice to reader

Forecast dates and Sections: 1.2 (Materiel Capability Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability 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.

Note
Forecast dates and capability assessments are excluded from the scope of the review.

1.3 Project Context

Background

A Request for Information and Optimisation Study was conducted before developing a Preliminary Function Performance Specification from the Operational Concept Document. A Request for Proposal (RFP) was released in November 2007. The RFP evaluation determined the Navantia proposed LCM-1E series watercraft was the most suitable design, as it is a Military off the Shelf (MOTS) solution and already in service with the Spanish Armada.

The project received First Pass approval in February 2009. Government approved the Navantia LCM-1E MOTS solution as the most suitable capability option and the project released a direct source Request for Tender to Navantia in May 2009. The Evaluation Report was endorsed by the Capability Development Stakeholder Group in July 2010.

The project received Second Pass approval in September 2011 and a contract was signed between the Commonwealth and Navantia in December 2011 for the acquisition of 12 LHD Landing Craft (LLC) built in Spain, based on the LCM-1E series watercraft with Australian modifications for the Royal Australian Navy (RAN) together with associated supplies and Integrated Logistic Support.

In accordance with the project Materiel Acquisition Agreement (MAA) the 12 LLC were delivered in three batches of 4 craft:

- Batch 1 (LLC 01-04) scheduled for April 2014 (achieved on schedule);
- Batch 2 (LLC 05-08) scheduled for March 2015 (achieved ahead of schedule); and
- Batch 3 (LLC 09-12) scheduled for January 2016 (achieved ahead of schedule).

Uniqueness

While the LLC is based on an existing Spanish LCM-1E series watercraft design, in addition to the Spanish requirements the LLC will be built to Classification Society standards.

Major Risks and Issues

The project has accepted all batches of LLCs (12 LLCs in total) from Navantia in Australia.

The delay to schedule of Navy Operation Test and Evaluation (NOTE) from Quarter four 2015 to Quarter two 2016, was due to unavailability of military assets and Navy introducing into service this new capability.

This risk 'Inability to verify system and functionality requirements during NOTE' is **closed** as all **certification for the project has been completed and the** system and functional requirements have been verified. **The issue 'Failure to complete all certification testing by FMR' is closed as all certification for the project is complete and FMR was achieved in December 2016. The project is working with Navy to mitigate the issue 'Impact to Project Closure due to the delay in achievement of Final Operational Capability'.**

Other Current Sub-Projects

JP 2048 Phase 4A/4B: The acquisition of two Canberra Class Amphibious Assault Ships, LHDs and associated supplies and support. The LLC are required to integrate with the LHD ships.

Note
Major risks and issues are excluded from the scope of the review.

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	$m		Notes
	Project Budget			
Jul 09	Original Approved		2.9	1
May 11	Real Variation – Scope	(0.7)		2
Sep 11	**Government Second Pass Approval**	233.5		
Aug 13	Real Variation – Transfer	(7.7)		3
			225.1	
Jul 10	Price Indexation		0.1	4
Jun 17	Exchange Variation		8.6	
Jun 17	**Total Budget**		236.8	
	Project Expenditure			
Prior to Jul 16	Contract Expenditure – Navantia	(150.3)		
	Other Contract Payments / Internal Expenses	(26.0)		5
			(176.3)	
FY to Jun 17	Contract Expenditure – Navantia	0.0		
	Other Contract Payments / Internal Expenses	0.0		
			0.0	
FY to Jun 17	**Total Expenditure**		(176.3)	
Jun 17	**Remaining Budget**		60.5	

Notes	
1	This project's original DMO budget amount is that prior to achieving Second Pass Government approval.
2	Removal of requirement for Project to fund APS salaries – approved May 2011.
3	A real decrease of ($7.7m) was approved vide MAA V2.1 dated August 2013 as the Second Pass Approval Agreement Price did not match the Transfer Price from Capability Development Group. The real decrease corrected this.
4	Up until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was $0.1m.
5	Other prior year expenditure comprises: Operating Expenditure, Military Communication System contract ($9.3m), Customs Duty ($8.1m), Navigation Display System contract ($3.0m), Minor Capital expenditure not attributable to the Prime contract ($2.2m), Contractor Support ($2.1m) and Pre Second Pass activities ($1.3m).

2.2A In-year Budget Estimate Variance

Estimate PBS $m	Estimate PAES $m	Estimate Final Plan $m	Explanation of Material Movements
0.0	0.2	0.0	PBS–PAES: Variance is due to projected final escalation adjustments for the prime contract and payments for final contract deliverables. PAES–Final Plan: Variance is minor.
Variance $m	0.2	(0.2)	Total Variance ($m): 0.0
Variance %	100.0	(100.0)	Total Variance (%):0.0

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan $m	Actual $m	Variance $m	Variance Factor	Explanation
			Australian Industry	There is no variance.
			Foreign Industry	
			Early Processes	
			Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
0.0	0.0	0.0	**Total Variance**	
		0.0	**% Variance**	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature $m	30 Jun 17 $m			
Navantia	Dec 11	148.9	150.3m	Variable	ASDEFCON	1,2

Notes	
1	Amendments to the Contract since signature include execution of contracted options for long lead time items, spares and training delivery.
2	Contract value as at 30 Jun 17 is based on actual expenditure to 30 Jun 17 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).

Contractor	Quantities as at		Scope	Notes
	Signature	30 Jun 17		
Navantia	12	12	LHD Landing Craft and Support System	

Major equipment received and quantities to 30 Jun 17

Project acceptance of LLC 01-04 achieved in April 2014, LLC 05-08 in February 2015 and LLC 09-12 in November 2015. Construction of all 12 LLCs complete.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System / Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Requirement	Mission System	Dec 11	N/A	Dec 11	0	
	Support System	Dec 11	N/A	Dec 11	0	
Preliminary Design	Mission System	Jun 12	N/A	Aug 12	2	1
	Support System	Jun 12	N/A	Jun 12	0	
	Navigational Display System	Jul 13	N/A	Oct 13	3	1
Critical Design	Mission System	Nov 12	N/A	Nov 12	0	
	Support System	Nov 12	N/A	Dec 12	1	1
	Military Communication System – Mission System	Mar 13	N/A	Jul 13	4	2
	Military Communication System – Support System	Jun 13	Dec 13	May 14	11	3
	Navigational Display System	Oct 13	N/A	Dec 13	2	1

Notes	
1	This design review was formally exited following the completion of actions identified within the exit criteria and/or other action items identified during the review.
2	Elbit Systems of Australia (ELSA) Mission System Detailed Design Review (DDR) was scheduled to be conducted in late March 2013, however, this coincided with a Navantia Mandated System Review and key project members were not available to attend. The ELSA DDR was rescheduled to the earliest mutually convenient date. This design review was formally exited following the completion of actions identified within the exit criteria during the review.
3	ELSA Support System DDR was not conducted in December 2013 as ELSA's planned prototyping activity in Spain was delayed due to Navantia's delay in production schedule. March 2014 was the earliest mutually convenient date. This design review was formally exited following the completion of actions identified within the exit criteria during the review.

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System / Platform Variant	Original Planned	Current Planned	Achieved /Forecast	Variance (Months)	Notes
System Integration	LLC 01-04	Feb 14	N/A	Feb 14	0	1
	LLC 05-08	Dec 14	N/A	Dec 14	0	1
	LLC 09-12	Oct 15	N/A	Aug 15	(2)	1
Acceptance	LLC 01-04 Project Acceptance	Apr 14	N/A	Apr 14	0	
	LLC 05-08 Project Acceptance	Mar 15	N/A	Feb 15	(1)	2
	LLC 09-12 Project Acceptance	Jan 16	N/A	Nov 15	(2)	2

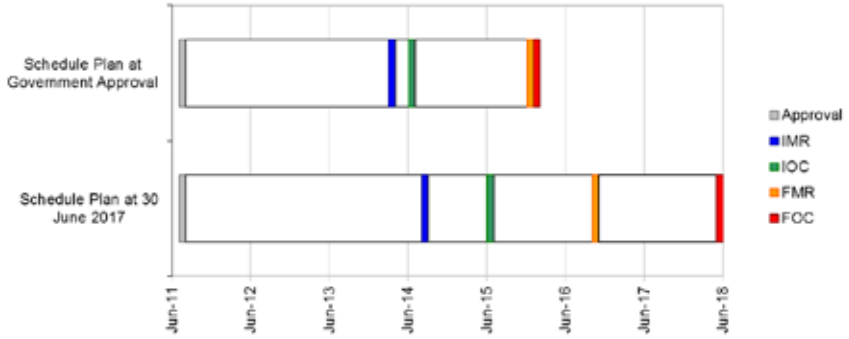
Notes	
1	System Integration refers to Navantia test and evaluation of the LLC and does not include the Battle Management System (BMS) or Navigational Display System (NDS). The BMS and NDS were installed on LLC 01-12, after acceptance of the craft by the CoA from Navantia.
2	The production of the second and third batch of 4 LLC was completed ahead of schedule.

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved /Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	May 14	Oct 14	5	1
Initial Operational Capability (IOC)	Aug 14	Aug 15	12	1
Materiel Release 2 (MR2)	Apr 15	Jun 15	2	2
Final Materiel Release (FMR)	Feb 16	Dec 16	10	3
Final Operational Capability (FOC)	Feb 16	Jun 18	28	3

Notes	
1	IMR was submitted on 20 June 2014 and was accepted by Navy on 10 October 2014 following the review of Initial Operational Release (IOR) documentation. This has had a flow on effect to activities, including IOC.
2	Lessons learnt from IMR indicated that the MR2 schedule was too optimistic and this resulted in a two month variance.
3	Final Operational Test and Evaluation for the LHD/LLC interface trials occurred in May 2016. These trials were incomplete leading to a 10 month delay in achievement of FMR. A new trial date is to be re-scheduled, currently forecast for Quarter two 2018, which has delayed Navy's achievement of FOC as forecast to mid 2018.

Schedule Status at 30 June 2017



Note
Forecast dates in Section 3 are excluded from the scope of the review.

Section 4 – Materiel Capability Delivery Performance

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Performance

Green:

The designs' operational envelope has been certified by a Classification Society and the Contractor's acceptance test activities have been completed which has proven the Materiel Capability Performance. Navy plan to complete the LHD/LLC interface trials Quarter two 2018 to support achievement of Final Operational Capability.

Amber:

The trials in May 2016 were not completed as planned for safety reasons. Navy is planning to complete the trial and confirm existing OQE for LLC in Quarter two 2018.

An IFF capability for the LLC is not in the scope of JP2048 Phase 3 and will be addressed as part of Project SEA 2048 Phase 6 with funding being transferred from JP 2048 Phase 3 to SEA 2048 Phase 6 when the latter becomes an 'approved project'. In the interim the LLC will be accepted by Navy without the IFF capability noting that the vessels are fitted with the Army Battle Management System (BMS) and Automatic Identification System (AIS) which will provide situational awareness for the vessels.

	Red: N/A

Note
This Pie Chart represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the review.

4.2 Constitution of Initial Materiel Release and Final Materiel Release

Item	Explanation	Achievement
Initial Materiel Release (IMR)	• LLC 01-04 (installed communications, BMS, navigation system and armament) delivered ready for Training, work-up, Operational Test and Evaluation. • LLC Support System sufficient to support Operational Testing on 4 LHD Landing Craft, including transition to sustainment.	Achieved
Final Materiel Release (FMR)	• LLC 09-12 (inclusive of communications, BMS, navigation system and armament) delivered ready for Training. • LLC Support System sufficient to support 12 Landing Craft, including transition to sustainment.	**Achieved**

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
Inability to verify system and functionality requirements during Naval Operation Test and Evaluation (NOTE).	This risk is **closed** as all **certification for the project has been completed and the** system and functional requirements have been verified using evidence from the LLC Contractor acceptance trials conducted in Spain 2013 – 2014 and the LHD/LLC interface trials conducted by Navy in 2016.
Emergent Risks (risk not previously identified but has emerged during 2016-17)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

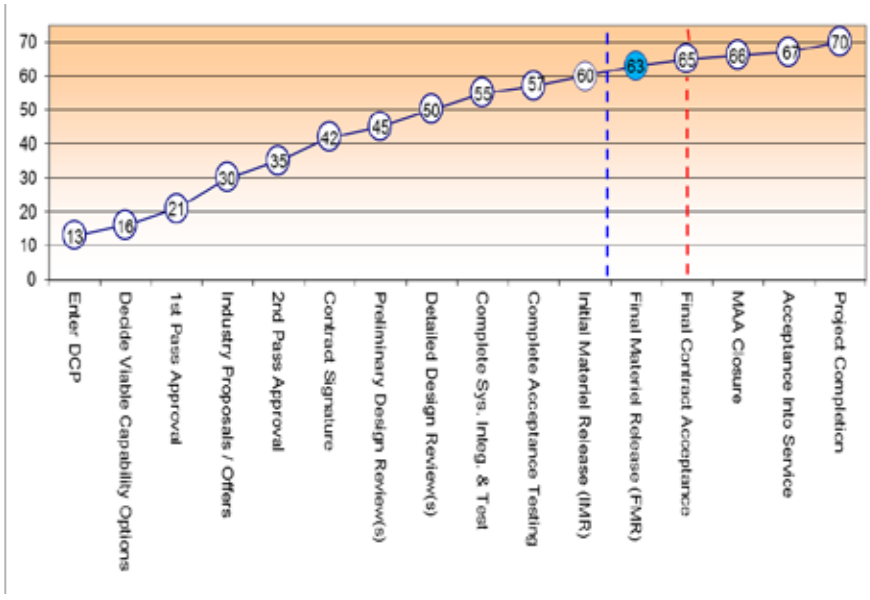
Description	Remedial Action
Failure to complete all certification testing by FMR.	This issue is **closed** as all certification **for the project** is complete **and FMR was achieved in December 2016.**
Project Closure will not be achieved as forecast due to a delay in achievement of Final Operational Capability (FOC) leading to an impact on schedule.	**The project office is working with Navy to:** • **Supply Contractor documentation such as Acceptance Test Reports (ATRs) of the LLC trials conducted in Spain; and** **Reschedule the incomplete LHD/LLC interface trials of May 2016 for carriage of heavy loads. The trial is currently forecast for Quarter two 2018. Completion of the trial will support Navy's achievement of Final Operational Capability (FOC), forecast in mid 2018.**

Note
Major risks and issues in Section 5 are excluded from the scope of the review.

Section 6 – Project Maturity

6.1 Project Maturity Score and Benchmark

Maturity Score		Attributes							Total
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support	
Project Stage	Benchmark	10	9	9	9	9	8	9	63
Final Materiel Release	Project Status	10	9	9	9	9	10	9	65
	Explanation	• **Commercial**: All craft delivered and Prime Contract Final Acceptance achieved. Project acceptance of LLC 01-04 achieved in April 2014, LLC 05-08 in February 2015 and LLC 09-12 in November 2015.							



2015-16 MPR Status - - - - 2016-17 MPR Status - - - -

Section 7 – Lessons Learned

7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons
N/A	N/A

Section 8 – Project Line Management

8.1 Project Line Management in 2016-17

Position	Name
Division Head	Mr Alan Nicholl (Dec 15–Feb 17) Mr Patrick Fitzpatrick (Acting Feb 17–current)
Branch Head	Mr Peter Croser
Project Director	Mr Peter Croser
Project Manager	Mr Paul Hegarty