

Project Data Summary Sheet¹³⁷

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|---------------------------------|---|
| Project Number | LAND 121 Phase 3B |
| Project Name | OVERLANDER VEHICLES (MEDIUM AND HEAVY VEHICLES, MODULES AND TRAILERS) |
| First Year Reported in the MPR | 2013-14 |
| Capability Type | Replacement |
| Acquisition Type | Australianised MOTS |
| 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 |
| Total Approved Budget (Current) | \$3,363.5m |
| 2016-17 Budget | \$670.3m |
| Project Stage | Detailed Design Review |
| Complexity | ACAT I |



Section 1 – Project Summary

1.1 Project Description

LAND 121 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.

In December 2011, Government approved the splitting of LAND 121 Phase 3 into two projects:

- LAND 121 Phase 3A – Lightweight and Light Capability (LLC), incorporating the approved Phase 5A; and
- LAND 121 Phase 3B – Medium and Heavy Capability (MHC), incorporating the yet to be approved Phase 5B.

LAND 121 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.

The following vehicles, trailers and modules will be acquired:

- 2,536 MHC vehicles and 3,054 modules supplied by Rheinmetall MAN Military Vehicles Australia (RMMVA);
- 1,704 trailers will be acquired from Haulmark Trailers (Australia);
- 122 Geländewagen (G-Wagon) maintenance modules supplied by Mercedes-Benz Australia / Pacific Pty Ltd and associated trailers supplied by Haulmark Trailers (Australia) Pty Ltd (HTA), acquired by LAND 121 Phase 3A;
- 49 in-service Bushmaster Protected Mobility Vehicles upgraded to customised General Maintenance Vehicle variants;
- 18 Line Laying Modules acquired by LAND 121 Phase 3A; and
- A further 664 specialist modules to be acquired which are not yet in contract.

1.2 Current Status

Cost Performance

In-year

As at **30 June 2017**, financial year **2016-17** expenditure was **\$701.1m** against the forecast expenditure of **\$670.3m**. The variation is primarily due to delivery of Batch 7 and partial delivery of Batch 8 earlier than forecast and payments made in the current year but budgeted for in the following year.

Project Financial Assurance Statement

As at 30 June 2017, Project LAND 121 Phase 3B 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

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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.

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| estimated future expenditure, Defence considers as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope. <u>Contingency Statement</u> The project has not applied contingency funds in the financial year. |
| Schedule Performance Phase 3B has progressed through the Preliminary Design Phase and Detailed Design Phase. Contract performance and achievement of Financial Milestones is being monitored by the RMMV Executive Board who have provided assurance that Financial Year targets will be achieved. Haulmark Trailers (Australia) Pty Ltd (trailers) continue to provide deliverables as required under the contract. Due to early delays, schedule performance is closely monitored. The Project is confident it will achieve the Initial Materiel Release (IMR) milestone by the originally planned date of December 2018. |
| Materiel Capability Delivery Performance Affordability will impact the overall capability, with costs being managed by maximising off-the-shelf solutions. As at 30 June 2017 Rheinmetall MAN Military Vehicles Australia has delivered 563 of 2,536 vehicles and Haulmark Trailers (Australia) has delivered 457 of 1,582 matched trailers. |
| Note Forecast dates and capability assessments are excluded from the scope of the review. |

1.3 Project Context

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| Background Project LAND 121 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. At the time Government approved LAND 121 Phase 3 the ADF's FVM&T fleet consisted of some 7,300 vehicles and 3,700 trailers acquired progressively from 1959. By 2008, 98 percent of the current assets had exceeded their life of type. The fleet was increasingly costly to maintain, repair and operate. Furthermore, the increased operational tempo from 1999 has compounded the challenges faced by the fleet to provide the mobility needs required by the ADF. LAND 121 Phase 3 was approved in August 2007 to acquire 1,187 Mercedes-Benz G-Wagons, and 973 matching trailers from HTA. In August 2011, Government approved the acquisition of an additional 959 G-Wagons and 826 trailers under LAND 121 Phase 5A via the contracts negotiated for Phase 3. 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, RMMVA for the MHC vehicle and module requirements and with HTA for the MHC trailer requirements. Strictly, MOTS items were not considered appropriate as modifications are required to achieve: <ul style="list-style-type: none"> • compliance with Australian Design Regulations; • a requirement for vehicles to interface with in-service and new Australian designed trailers and modules; and • integrate with in-service communication equipment. In a related decision at the same time, Government approved the splitting of LAND 121 Phase 3 into two projects: LAND 121 Phase 3A for the LLC approved under Phase 3 and amalgamating this with the additional scope approved under Phase 5A; and LAND 121 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. The Phase 3A LLC Contract Amendments were executed in January 2012 and Phase 3B achieved second pass approval in July 2013 and contracts were executed shortly after. |
| Uniqueness LAND 121 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. |
| Major Risks and Issues The following risks and issues may have an impact on schedule, cost, performance, and/or reputation. Risks associated with the vehicle acquisition process include changes to system specifications, integration issues with new generation communication equipment, capacity of LAND 121 Introduction into Service facility at Meeandah, delay to the recovery capability and access to public roads. The key issues concerning the project are the performance of key subcontractors, and interface issues between vehicles, trailers and modules. |
| Other Current Sub-Projects LAND 121 is a multi-phased project providing the ADF with current-generation high-capability field vehicles, modules and trailers. Other LAND 121 projects are: LAND 121 Phase 3A has delivered 2,146 lightweight (4x4) and light (6x6) Mercedes-Benz G-Wagons and 1,799 matching Haulmark trailers, replacing approximately two thirds of the current Land Rover 4x4 and 6x6 vehicle fleets. The new G-Wagons will be used |

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primarily for tactical training, but will also be available to support humanitarian assistance or disaster relief operations, and to help secure Australia's coastline.

LAND 121 Phase 4 will acquire and deliver into service 1100 Protected Mobility Vehicles – Light (PMV-L) and 1058 associated trailers. The PMV-L will perform command, reconnaissance, liaison and utility roles.

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 | | | |
| Dec 11 | At Original Approval (Phase 3 Project Budget prior to split into 3A and 3B) | 3,237.7 | 1 |
| Jun 12 | Exchange Variation | (66.5) | |
| Jun 12 | Budget as at 30 June 2012 | 3,171.2 | |
| Jul 12 | Real Variation – Scope (Funds retained by 3A) | (622.0) | 2 |
| | | (622.0) | |
| Jul 12 | At Original Approval (Phase 3B Project Budget after split from Phase 3) | 2,549.2 | |
| Jul 12 | Exchange Variation to opening budget | 23.3 | 3 |
| Jul 13 | Real Variation – Scope | 7.0 | 4 |
| Jul 13 | Real Variation – Scope | 21.0 | 5 |
| Jul 13 | Real Variation – Project Supplementation | 684.2 | 6 |
| | | 735.5 | |
| Jun 17 | Exchange Variation | 78.8 | |
| Jun 17 | Total Budget | 3,363.5 | |
| Project Expenditure | | | |
| Prior to Jul 16 | Contract Expenditure – Rheinmetall MAN Military Vehicles Australia (Acquisition) | (191.4) | |
| | Contract Expenditure – Haulmark Trailers (Aust) Pty Ltd (Acquisition) | (60.6) | |
| | Rheinmetall MAN Military Vehicles Australia (Support) | (0.4) | |
| | Other Contract Payments / Internal Expenses | (71.2) | 7 |
| | | (323.7) | |
| FY to Jun 17 | Contract Expenditure – Rheinmetall MAN Military Vehicles Australia (Acquisition) | (610.8) | |
| | Contract Expenditure – Haulmark Trailers (Aust) Pty Ltd (Acquisition) | (63.3) | |
| | Rheinmetall MAN Military Vehicles Australia (Support) | (4.0) | |
| | Other Contract Payments / Internal Expenses | (23.1) | 8 |
| | | (701.1) | |
| Jun 17 | Total Expenditure | (1,024.8) | 9 |
| Jun 17 | Remaining Budget | 2,338.8 | |
| Notes | | | |
| 1 | Phase 3 project budget prior to the split into Phase 3A and Phase 3B. | | |
| 2 | Retention of Light Capability scope by LAND 121 Phase 3A. | | |
| 3 | Update of exchange rates from approval to 2012–13 PBS rates. | | |
| 4 | Transfer of funds from LAND 116 Phase 3 for acquisition of trailers. | | |
| 5 | Transfer of funds from JP 2059 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. | | |
| 7 | Expenses comprise of (\$27.8m) for the acquisition of G-Wagons by LAND 121 Phase 3A on behalf of LAND 121 Phase 3B, (\$21.5m) for salaries, (\$4.8m) for the acquisition of trailers, (\$1.7m) for the Protected Mobility Vehicle and (\$15.4m) for other project office costs not associated with the prime contracts. | | |
| 8 | Expenses comprise of (\$7.0m) for the Protected Mobility Vehicle (\$3.9m) for salaries, and (\$12.1m) for other project office costs not associated with the prime contracts. | | |
| 9 | Delays to some mandated systems reviews and deliveries resulted in stop payment on related milestones being imposed. | | |

2.2A In-year Budget Estimate Variance

| Estimate PBS \$m | Estimate PAES \$m | Estimate Final Plan \$m | Explanation of Material Movements |
|---------------------|----------------------|----------------------------|---|
| 685.6 | 681.6 | 670.3 | PBS to PAES: Variation is due to bringing forward the delivery of trailers into 2015-16 and vehicles into 2016-17 to align with industry's capability to deliver. PAES to Final Plan: Variation is due to an update to PBS 2017-18 exchange rates. |
| Variance \$m | (4.0) | (11.3) | Total Variance (\$m): (15.3) |
| Variance % | (0.6) | (1.7) | Total Variance (%): (2.2) |

2.2B In-year Budget/Expenditure Variance

| Estimate Final Plan \$m | Actual \$m | Variance \$m | Variance Factor | Explanation |
|----------------------------|---------------|-----------------|---------------------------------|--|
| | | 15.5 | Australian Industry | Variance is primarily due to delivery of Batch 7 and partial delivery of Batch 8 earlier than forecast and payments made in the current year but budgeted for in the following year. |
| | | | Foreign Industry | |
| | | | Early Processes | |
| | | 15.3 | Defence Processes | |
| | | | Foreign Government | |
| | | | Negotiation/Payments | |
| | | | Cost Saving | |
| | | | Effort in Support of Operations | |
| | | | Additional Government Approvals | |
| 670.3 | 701.1 | 30.8 | Total Variance | |
| | | 4.6 | % Variance | |

2.3 Details of Project Major Contracts

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 | | | |
| Rheinmetall MAN Military Vehicles Australia (Acquisition) | Jul 13 | 1,585.9 | 1,892.5 | Variable | ASDEFCON | 1, 2 |
| Haulmark Trailers (Australia) Pty Ltd (Acquisition) | Jul 13 | 397.7 | 493.2 | Variable | ASDEFCON | 1, 2 |
| Rheinmetall MAN Military Vehicles Australia (Support) | Jul 13 | 32.3 | 47.4 | Variable | ASDEFCON | 1, 2 |
| Notes | | | | | | |
| 1 | Additional commitments of \$28.3m and \$4.7m are included in the Mercedes Benz Australia Pacific Pty Ltd and Haulmark Trailers contracts in Section 2.3 of the LAND 121 Phase 3A Project Data Summary Sheet. These items are being procured by LAND 121 Phase 3A, on behalf of the LAND 121 Phase 3B project. Commitments in relation to General Maintenance Vehicles will be funded by LAND 121 Phase 3B. | | | | | |
| 2 | Contract value as at 30 June 2017 is based on actual expenditure to 30 June 2017 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable). | | | | | |
| Contractor | Quantities as at | | Scope | Notes | | |
| | Signature | 30 Jun 17 | | | | |
| Rheinmetall MAN Military Vehicles Australia (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 (Support) | N/A | N/A | MHC Support Contract for vehicles and modules. | | | |
| Major equipment received and quantities to 30 Jun 17 | | | | | | |
| RMMVA Batch 0 - Two MHC vehicles have been accepted to support design and verification activities. | | | | | | |
| RMMVA Batch 01A and 02A - 49 vehicles and 60 flatrack modules have been delivered to support training development activities. | | | | | | |
| RMMVA Batches 1-8A - Delivered 514 Vehicles and, 1,101 Flattracks including 347 Flatrack Cargo Gate Kits. | | | | | | |
| Haulmark Trailers (Australia) has delivered (as at 30 June 2017): 229 Medium weight Cargo trailers, 206 Heavy ILH trailers, 15 Heavy Equipment Trailers, 1 Medium Equipment Transporter, 1 Heavy Bulk Fuel Tanker, 5 Dolly Low Loaders, 140 Cargo Kits and 40 ramp sets (for the Mediumweight, Cargo Trailers). | | | | | | |
| Notes | | | | | | |
| 1 | The quantity figures being communicated publicly excludes vehicle and trailer prototypes. | | | | | |

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Section 3 – Schedule Performance

3.1 Design Review Progress

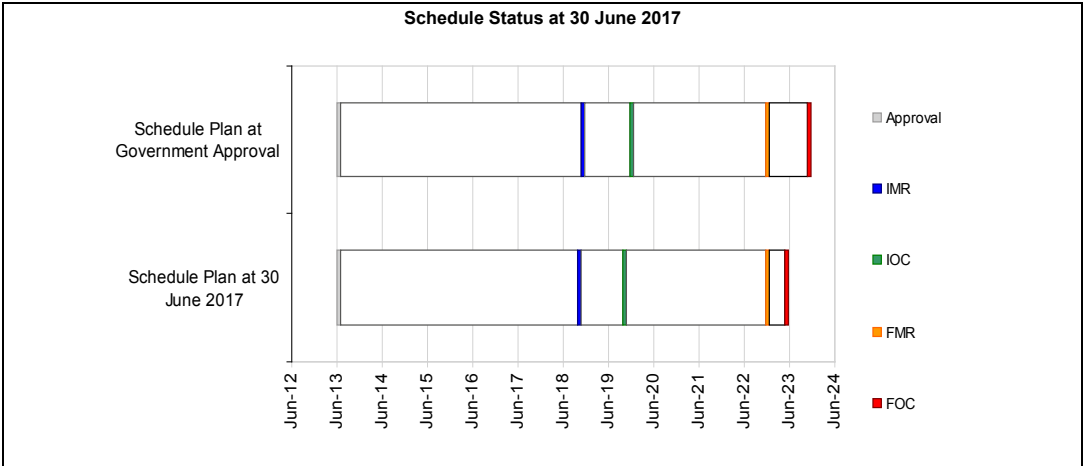
| Review | Major System/Platform Variant | Original Planned | Current Planned | Achieved/Forecast | Variance (Months) | Notes |
|--------------------|--|------------------|-----------------|-------------------|-------------------|---------------|
| Preliminary Design | Vehicles | Dec 14 | Aug 15 | Dec 15 | 12 | 1, 2 |
| | Modules | Aug 14 | Feb 15 | Mar 15 | 7 | 1, 2, 4 |
| | Trailers | Jun 16 | Jan 17 | Jan 17 | 7 | 1, 5, 8 |
| Detailed Design | Vehicles | May 15 | Sep 16 | Jun 17 | 25 | 1, 2, |
| | Modules | Nov 14 | Jun 15 | Mar 16 | 16 | 1, 4, |
| | Trailers | Jan 17 | Jul 17 | Jun 17 | 5 | 1, 5, 8 |
| Critical Design | Vehicles | Aug 15 | Jan 17 | Nov 17 | 27 | 1, 2, 3, 6, 7 |
| | Modules | Mar 15 | Nov 15 | Sep 16 | 18 | 1, 3, 4, 6 |
| Notes | | | | | | |
| 1 | All dates represent the Approval of the exit for the Reviews of the last vehicle, module and trailer variants. | | | | | |
| 2 | All vehicle and trailer variants have exited preliminary and detailed design reviews. All vehicle variants, with the exception Medium Recovery vehicles, have exited CDR. | | | | | |
| 3 | Delays by RMMVA to secure its subcontractor has impacted the completion of nominated review. | | | | | |
| 4 | All module variants have exited all design reviews, and are now progressing through the Verification Testing phase. | | | | | |
| 5 | All ten trailer variants have exited all design reviews. | | | | | |
| 6 | Senior management attention (Defence and the RMMV Board) is expected to improve the schedule performance for completion of the remaining single vehicle design review and Acceptance Test and Evaluation for vehicles and modules. | | | | | |
| 7 | Current Planned Date changes to vehicles Detailed and Critical Designs are IAW CCP064 signed 15 July 2016. Only design reviews not completed prior to May 2016 per RMMVA's CMS Update 31 were re-baselined. | | | | | |
| 8 | Date changes were IAW Group C BCR (June 2016) outcomes and agreements. | | | | | |

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, Acceptance Test and Evaluation (AT&E) | Vehicles | Jul 16 | Aug 18 | Apr 19 | 33 | 1, 2, 3, 4 |
| | Modules | Nov 15 | Jun 17 | Aug 18 | 33 | 1, 2, 3, 4, 5 |
| | Trailers | Sep 17 | May 18 | May 18 | 8 | 1, 6 |
| Notes | | | | | | |
| 1 | All dates represent the Approval of the Acceptance Verification Reports for the tests of the last vehicle, module and trailer variant. | | | | | |
| 2 | Delays by RMMVA to secure its subcontractor has impacted the completion of verification. | | | | | |
| 3 | Senior management attention (Defence and the RMMV Board) is expected to improve the schedule performance for completion of acceptance test and evaluation. | | | | | |
| 4 | Current Planned Date changes to Vehicles and Modules are IAW CCP064 signed 15 July 2016. | | | | | |
| 5 | A Contract Change Proposal (CCP 117) was executed to address an additional nine month variance associated with RMMVA sub-contractor, Holmwood Highgate delay in progressing the Liquid Module Program. | | | | | |
| 6 | Current Planned Date changes are IAW Group C Integrated Baseline Review (June 2016) outcomes and agreements. | | | | | |

3.3 Progress Toward Materiel Release and Operational Capability Milestones

| 3.3 Progress Toward Materiel Release and Operational Capability Milestones | | | | |
|--|---|--------------------|-------------------|------|
| Item | Original Planned | Achieved/ Forecast | Variance (Months) | Note |
| Initial Materiel Release (IMR) | Dec 18 | Nov 18 | (1) | 1 |
| Initial Operational Capability (IOC) | Dec 19 | Nov 19 | (1) | |
| Final Materiel Release (FMR) | Dec 22 | Dec 22 | (0) | |
| Final Operational Capability (FOC) | Dec 23 | Jun 23 | (6) | |
| Notes | | | | |
| 1 | All variances are forecast to be achieved on or ahead of planned dates and are a reflection of estimated planned work required to achieve MAA milestones. | | | |



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| 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 Delivery Performance | |
|---|---|
| <p>A pie chart showing a single green slice representing 100% of the data.</p> | <p>Green: The Project expects to meet materiel capability requirements as expressed in the MAA and in accordance with the requirements of the relevant Technical Regulatory Authorities.</p> |
| | <p>Amber: N/A</p> |
| | <p>Red: N/A</p> |
| <p>Note This Pie Chart represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the review.</p> | |

4.2 Constitution of Initial Materiel Release and Final Materiel Release

| Item | Explanation | Achievement |
|--------------------------------|--|------------------|
| Initial Materiel Release (IMR) | IMR requires the following to be delivered: 101 medium and heavy vehicles, 250 modules, 59 trailers, sufficient training for operators and maintainers to support Army's introduction into service plan and adequate logistic support arrangements. Forecast achievement November 2018. | Not yet achieved |
| Final Materiel Release (FMR) | FMR requires the following to be delivered: 2,707 medium and heavy vehicles, 3,858 modules, 1,704 trailers, achieve the Directed Training Requirement across the entire medium and heavy capability for operators and maintainers and logistic support arrangements. Forecast achievement December 2022. | Not yet 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 |
| Changes to system specifications. There is a chance that the project will be affected by changes to system specifications leading to Contract Change Proposals which will impact on cost and schedule. | Development of a decision log. Changes will only be considered on formal advice from Army and will include costs and risks. The project team has worked with relevant stakeholders to assess proposed changes resulting from design reviews. While a number of Contract Change Proposals have been generated to reflect agreed outcomes of the design reviews, there has been no impact on schedule, and costs are being managed within the approved budget. This risk is diminishing as the design review process nears completion. |
| Integration of new generation communication equipment (C4I) – vehicles. There is a chance that the project will be affected by the complexities of delivering MHC vehicles with an integrated C4I solution impacting on performance, cost and schedule. | Monitor and Review RMMVA performance. This risk continues to be managed through the establishment of a working group involving RMMVA as the Prime System Integrator, and Thales as the Subject Matter Expert. |
| Access to Public Roads. There is a chance that the MHC will be affected by the States and Territories (S&Ts) delaying certification and/or not issuing the appropriate permits for operational use which may impact on schedule, cost, performance, supportability, environment, reputation and compliance. | Develop and agree to a strategy with States and Territories. Defence continues to lead negotiations with the States and Territories. Visits by LAND 121 Phase 3B and Strategic Logistics Branch (JLC) to all States and Territories have been completed. JLC will incorporate LAND 121 Phase 3B vehicle and trailer combinations iteratively into the Defence Road Transport Exception Framework (DRTEF) as Defence reviews road access confirmation from individual States and Territories |
| Emergent Risks (risk not previously identified but has emerged during 2016–17) | |
| Description | Remedial Action |
| Insufficient storage space at the LAND 121 Introduction into Service facility at Meeandah. There is a chance that Introduction Into Service will be affected by lack of storage space at Meeandah impacting on reputation. | Fleet Transition Working Groups (AHQ/RAAF/JLC and Project) have an established plan in place to manage this risk. Additionally, an Introduction and Withdrawal Working Group has been established to coordinate and manage this risk. |
| Heavy Recovery Mission System training delay There is a chance that the MHC roll-out will be affected by a delay in training for the Heavy Recovery Mission System impacting on schedule and performance. | A training gap analysis has been conducted by RMMV/RMMVA in Europe and a workshop has been planned for July/August 2017 in Germany to evaluate the findings. Two ADF Recovery mechanics are participating in a joint training development activity with RMMVA. A draft training implementation plan has been released to stakeholders and a CCP is being developed (to be executed in July 17) which will define training locations and resources. |

5.2 Major Project Issues

| Description | Remedial Action |
|--|---|
| Subcontractor engagement. The project has been affected by the delay to subcontractor engagement impacting on schedule, cost, performance and reputation. | CoA to undertake financial, capacity and viability assessment of subcontractors. All key subcontractors have now been engaged. The delay in engaging the subcontractors has impacted on the conduct of design reviews for some module elements. Performance issues initially identified with Varley have been resolved. RPC Technologies'. performance issues have been addressed. There is still concern that Holmwood Highgate may pursue a similar approach to Varley, as they recently advised RMMVA that they are unable to deliver against the contract schedule and are developing a remediation plan. Although there will be some schedule refinements, there are no impacts to the achievement of MAA milestones anticipated. This issue is being closely managed at Assistant Secretary level and weekly updates are sought from RMMVA to assess progress and, where the option is available, further negotiation may occur. |
| Project interface and integration issues. The MHC has encountered technical engineering and project management integration and interface issues. Integration issues include issues between vehicles, modules and/or trailers. | Establish an Interface Control Working Group. (ICWG) The project is actively managing a range of integration and interface issues between vehicles, modules and trailers that have a potential impact on cost, schedule and performance. The ICWG convene as required (last one held 12 Nov 15) with the CoA, prime contractors and subcontractors (as appropriate) where integration |

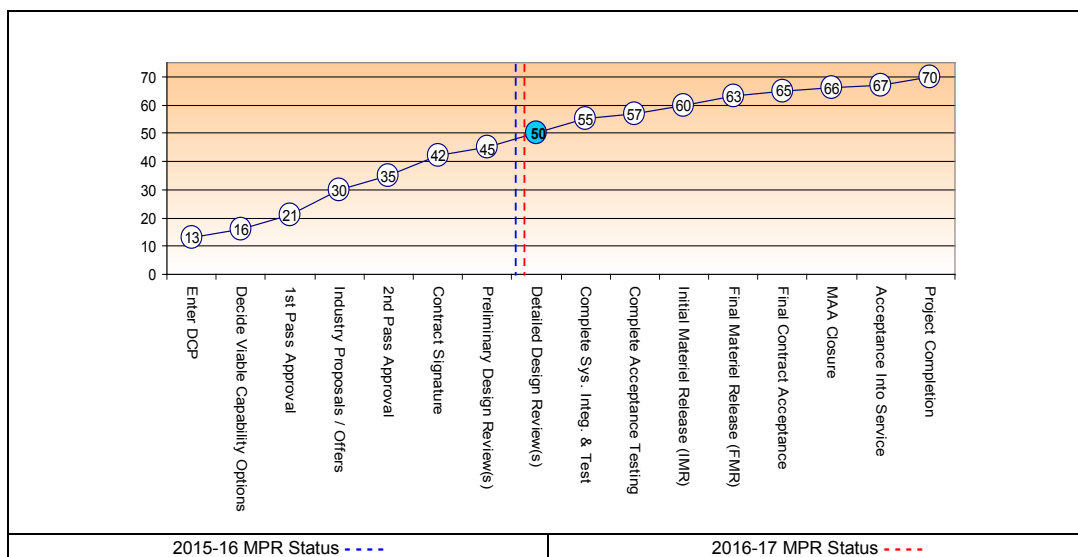
| | |
|---|---|
| | <p>issues affecting trailers, vehicles and modules are identified and addressed.</p> <p>Interface Control Documents have also been developed for vehicles, modules and trailers, and designs are under constant review.</p> <p>Prototype vehicles were acquired to support trailer verification testing.</p> |
| <p>42M Medium Recovery Vehicle</p> <p>The project has been affected by the delay in design and verification of the 42M recovery vehicle impacting on cost, schedule and performance.</p> | <p>Engagement with key stakeholders (RMMVA and RMMV) and implementation of a range of system engineering processes including delivery of prototypes.</p> <p>The project is actively managing this issue with regular workshops and meetings held with RMMVA. An additional test vehicle was provided for Development Test and Evaluation Original Equipment Manufacture qualification. Detailed Design Review and stowage trials were successfully conducted (May 2017) in the USA with CoA presence. Schedule slippage was agreed in principle and some changes have occurred to specifications. Critical Design Review is due in October 2017.</p> |

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| 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 | 7 | 7 | 7 | 8 | 7 | 7 | 7 | 50 |
| Detailed Design Review | Project Status | 8 | 7 | 7 | 7 | 7 | 7 | 6 | 49 |
| | Explanation | <ul style="list-style-type: none"> Schedule: Concurrent activity and schedule float contribute to confidence that schedule will be within the tolerance of the Materiel Acquisition Agreement. Technical Understanding: Technical data and Intellectual Property provisions will allow Defence to operate, support, maintain, modify and dispose the materiel elements of the capability. Operations and Support: Detailed operational and support requirements have been specified and In-Service Contracts are in place. | | | | | | | |



Section 7 – Lessons Learned

7.1 Key Lessons Learned

| Project Lesson | Categories of Systemic Lessons |
|---|--------------------------------|
| Government should refrain from announcing preferred tenderers until negotiations are complete. Public announcements undermine negotiation leverage and may provide detail which is subject to change during negotiations. | Contract Management |
| Projects must have a robust suite of up-to-date capability documents (Operational Concept Document and Functional Performance Specification) available during tender evaluation and negotiations to provide critical contextual information for the negotiation team. These documents also provide the framework for the acquisition authority and capability manager to conduct an informed acceptance process. | Requirements Management |
| It is key that requirements are fully agreed before negotiations commence to avoid any uncertainty and potential for delays. | Requirements Management |
| Where doubt exists in relation to compliance claims and/or significant risk is apportioned to a performance requirement, project teams should seek Objective Quality Evidence (OQE) during tender evaluation, so claims of fitness for purpose are supportable and evidence required during Design Acceptance, and AT&E is minimised. | Requirements Management |
| For projects of this size and complexity, team members require highly developed project management and contracting skills and experience. In preparing for LAND 121 Phase 3B contract negotiations, the need was identified for external expertise and advice to support the negotiation process. The presence of an experienced negotiator and technical adviser was key to being able to negotiate a successful contract. | Contract Management |
| The effort involved with the vehicle/module/trailer interface (including all interfaces between elements of the prime equipment) should not be underestimated even for apparently simple equipment. The early formation of interface working groups is critical. | Contract Management |
| Early involvement of Army Logistic Training Centre (ALTC) staff in the development of the Training requirement is mandatory. This includes reviewing the ASDEFCON template DID ILS-910 and relevant clauses pertaining to training and participation in preliminary meetings to the Initial Training Conference. Propose a preliminary brief by ALTC to define expectations and 'fit' to contractual requirements. | Resourcing |
| Government Furnished Equipment (GFE) lists should be continuously developed and updated while the system specifications and statement of work are still subject to negotiations and potential variation, to ensure all items on the contracted GFE list are available and sourced. | Contract Management |
| Ensure contractual provisions require the contractor to have executed contracts with Approved Subcontractors within a specific time following contract execution, so as to | Contract Management |

| | |
|--|---------------------|
| avoid impact on contract deliverables and slippage to key engineering reviews. | |
| 'Mancats' is a vehicle diagnostic tool that can be used with the fleet of RMMVA vehicles being acquired. A lesson learned from LAND 121 Phase 3A (G-Wagons) was to lease, and not buy, the vehicle diagnostic tool. Leasing reduces the risk of hardware and firmware redundancy, and is a better value for money option for the Commonwealth. LAND 121 Phase 3B is negotiating an appropriate lease arrangement with RMMVA for 'Mancats'. | Contract Management |
| An AT&E program should consider risk and performance requirements to determine whether OQE can be provided by prime contractors and their parent companies to support claims of fitness for purpose in lieu of testing. During negotiations all claims of compliance should be reflected in the qualification method to be used in the AT&E program. | Contract Management |

Section 8 – Project Line Management

8.1 Project Line Management in 2016–17

| Position | Name |
|--------------------------------------|---|
| Division Head | MAJGEN David Coghlan (Dec 15–current) |
| Branch Head | BRIG Haydn Kohl (to Oct 16) Ms Sarah Myers (Oct 16–current) |
| Project Director | Ms Sarah Myers (Aug 15–Dec 16) COL Steve Wilson (Dec 16–current) |
| Project Manager Vehicles and Modules | Ms Jacquie Menzies |
| Project Manager Trailers | Mr Jonathan McGuigan |