

## Project Data Summary Sheet<sup>154</sup>

Project Number	<b>AIR 7403 Phase 3</b>
Project Name	<b>Additional KC-30A Multi-role Tanker Transport</b>
First Year Reported in the MPR	2015-16
Capability Type	New
Acquisition Type	Australianised MOTS
Capability Manager	Chief of Air Force
Government 1st Pass Approval	N/A
Government 2nd Pass Approval	Jun 15
Budget at 2 <sup>nd</sup> Pass Approval	\$681.9m
Total Approved Budget (Current)	<b>\$894.3m</b>
2018-19 Budget	<b>\$53.1m</b>
Project Stage	Initial Materiel Release
Complexity	ACAT III



### Section 1 – Project Summary

#### 1.1 Project Description

AIR 7403 Phase 3 has acquired two A330-200 aircraft and converted them to KC-30A Multi-role Tanker Transport (MRTT) aircraft. **Both aircraft have been** delivered and associated spares and support equipment **delivery is ongoing**. This project follows on from AIR 5402 which delivered five MRTT aircraft equipped with both hose and drogue and boom refuelling systems capable of in-flight refuelling of current and future aircraft. The second additional aircraft, MRTT#7, **has also completed** further modification to include an enhanced interior and communications suite known as the Government Transport and Communications (GTC) capability.

#### 1.2 Current Status

<p><b>Cost Performance</b></p> <p><u>In-year</u> In-year cost performance to <b>30 June 2019</b> has resulted in an underspend of <b>\$11.0m</b>. This variance is primarily attributed to the <b>reprioritisation of commitments within Defence</b>.</p> <p><u>Project Financial Assurance Statement</u> As at 30 June <b>2019</b>, project AIR 7403 Phase 3 has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial and contractual obligations 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> <p><u>Contingency Statement</u> The project has not applied contingency in the financial year.</p>
<p><b>Schedule Performance</b></p> <p>Aircraft conversion schedule supports achievement of the Final Materiel Release (FMR) / Final Operational Capability (FOC) planned dates.</p> <p>Initial Materiel Release (IMR) was declared in February 2018 with Initial Operational Capability (IOC) achieved in April 2018.</p> <p><b>The most significant milestones achieved in financial year 2018-19 were the acceptance of the MRTT#7 GTC modification in September 2018 and the delivery of the aircraft to Air Force in May 2019.</b></p>
<p><b>Materiel Capability Delivery Performance</b></p> <p>The project <b>has completed delivery</b> of the two additional KC-30A MRTT aircraft to Air Force with MRTT#7, being the second additional KC-30A MRTT aircraft, modified to include the GTC capability.</p> <p><b>The project remains on schedule to deliver all critical support systems for the additional aircraft by Final Operational Capability (FOC).</b></p>
<p><b>Note</b></p> <p>Forecast dates and capability assessments are excluded from the scope of the review.</p>

#### 154 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.

### 1.3 Project Context

<p><b>Background</b></p> <p>AIR 7403 Phase 3 is an extension of the original AIR 5402 acquisition contract that provided the Australian Defence Force with five KC-30A MRTT aircraft. The KC-30A MRTT aircraft design was previously accepted under AIR 5402.</p> <p>Government provided a combined first and second pass approval in June 2015 for the purchase of two additional Airbus A330-200 aircraft for conversion to KC-30A MRTT aircraft.</p> <p>In February 2016, the project received interim Government approval for a scope increase to further modify the second MRTT aircraft to provide an enhanced communications capability in support of long-range international government transport (the GTC).</p> <p>In accordance with Government approval, AIR 7403 Phase 3 is scoped to provide two additional KC-30A MRTT aircraft that meet the same configuration to the maximum extent possible to the Air Force fleet of five KC-30A MRTT aircraft. To meet these requirements there is a need to Australianise the MRTT aircraft as provided by Airbus Defence and Space. In August 2016, Defence signed a contract with Airbus Defence and Space for the MRTT#7 GTC Capability.</p>
<p><b>Uniqueness</b></p> <p>The two aircraft were previously operated under lease by Qantas and originally assembled between the first two Royal Australian Air Force (RAAF) MRTT aircraft that are the basis of the KC-30A design. Being the same overall civil build status provides an opportunity to maintain close commonality with the configuration of the existing RAAF KC-30A fleet.</p> <p>The enhanced communications capability in support of long-range international government transport installed on a KC-30A MRTT aircraft will be the first of type for Air Force.</p>
<p><b>Major Risks and Issues</b></p> <p><b>Given the project has accepted both aircraft, the project is not currently managing any high or extreme risks and/or issues.</b></p>
<p><b>Other Current Related Projects/Phases</b></p> <p>N/A</p>
<p><b>Note</b></p> <p>Major risks and issues is excluded from the scope of the review.</p>

## Section 2 – Financial Performance

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

Date	Description	\$m	Notes
<b>Project Budget</b>			
Jun 15	Original Approved (Second Pass Approval)	681.9	
Mar 16	Real Variation – Scope	187.7	1
Mar 16	Real Variation – Budgetary Adjustment	(4.8)	2
		182.9	
Jun 19	Exchange Variation	29.5	
Jun 19	<b>Total Budget</b>	<b>894.3</b>	
<b>Project Expenditure</b>			
Prior to Jul 18	Contract Expenditure – Airbus Defence and Space	(533.0)	3
	<b>Contract Expenditure – US Government</b>	<b>(4.0)</b>	<b>3</b>
	Other Contract Payments / Internal Expenses	(53.3)	4
		(590.3)	
FY to Jun 19	Contract Expenditure – Airbus Defence and Space	(34.6)	3
	Other Contract Payments / Internal Expenses	(7.5)	5
		(42.1)	
Jun 19	<b>Total Expenditure</b>	<b>(632.4)</b>	
	<b>Remaining Budget</b>	<b>261.9</b>	
<b>Notes</b>			
1	The approved scope increase associated with interim pass approval has been incorporated into the budget, increasing the project approval by \$187.7m, for the Government Transport and Communications modification.		
2	Budgetary adjustment was to correct an error in the price basis immediately following guidance transfer.		
3	The scope of this contract is explained in Section 2.3 – Details of Project Major Contracts.		
4	Other expenditure comprises an additional spare engine procurement, contractor support, legal support, salaries and other capital expenditure inclusive of Discrete Tasking Orders and travel.		
5	Other expenditure comprises Northrop Grumman minor contracts (\$2.2m), Airbus Defence and Space minor contracts (\$0.7m), Equipment procurements (\$2.6m) and (\$2.0m) for other contractors, technical and engineering support, and travel.		

## Project Data Summary Sheets

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## 2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
78.2	59.6	53.1	PBS to PAES: The variation is primarily due to the retirement of risk within the prime contract, a revised schedule for the delivery of spares and support equipment plus budgeted exchange rate adjustments from the PBS to the PAES plan.  PAES to Final Plan: The variation is primarily the result of further retirement of risk, a revised schedule for FMS deliveries and budget exchange rate adjustments.
Variance \$m	(18.6)	(6.5)	Total Variance (\$m): (25.1)
Variance %	(23.8)	(10.9)	Total Variance (%): (32.1)

## 2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(1.6)	Australian Industry	The variation is primarily driven by a reprioritisation of commitments within Defence for Foreign Military Sales, deeper level maintenance and entry into service contract payments.
			Foreign Industry	
		(9.4)	Early Processes	
			Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
53.1	42.1	(11.0)	<b>Total Variance</b>	
		(20.7)	<b>% Variance</b>	

## 2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 19 \$m			
Airbus Defence and Space	Jun 15	408.8	587.4	Variable	ASDEFCON	1, 2, 5
US Government	Mar 16	9.9	9.7	Fixed	FMS	1, 3, 4
<b>Notes</b>						
1	Contract Value as at 30 June 2019 is based on actual expenditure to 30 June 2019 and remaining commitment at current budget exchange rates, and includes adjustments for indexation (where applicable).					
2	Price at 30 June 2019 includes the addition of Contract Change Proposals (CCPs) 141 (Deferred arrival of MRTT#6 and Conduct of additional maintenance), 143 (Cabin Changes, Landing Gear Service Bulletins, and Refuelling Boom Roller Improvement) and 144 (Repair to Left Hand Main Landing Gear Support Rib 6).					
3	Price at signature has changed from the 2017-18 MPR to exclude the ISREWSP0 sustainment organisation funded component worth \$1.2m.					
4	Price at 30 June 2019 includes \$2.8m expected to be funded by the HALSPO sustainment organisation due to cross-leveling of financial resources within the Branch.					
5	The Airbus Defence and Space Contract Value in the 2017-18 Major Projects Report was incorrectly reported as \$532.8m. This should have been reported as \$586.4m with a variance of \$53.6m.					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 19				
Airbus Defence and Space	2	2	Purchase of two additional A330-200 aircraft, conversion to KC-30A MRTT, and further modification of one KC-30A MRTT aircraft to include a GTC capability.			
US Government	2	2	This FMS case value is to fund Large Aircraft Infra-Red Counter Measure (LAIRCМ) kits.			
<b>Major equipment received and quantities to 30 Jun 18</b>						
Two additional Airbus A330-200 aircraft were accepted in July and November 2015 respectively. Both aircraft were immediately transferred to Airbus Defence and Space, Madrid Spain for conversion to MRTT aircraft. MRTT#6, the first additional KC-30A MRTT aircraft was accepted in June 2017 and the second in May 2019.						

## Section 3 – Schedule Performance

## 3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Planned	Achieved/Forecast	Variance (Months)	Notes
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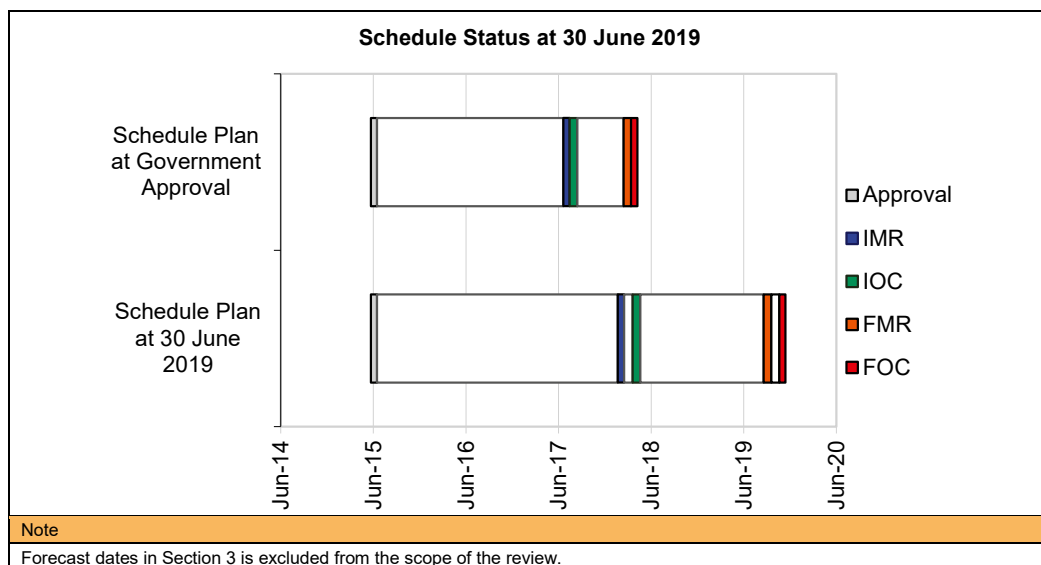
System Requirements	MRTT Aircraft	N/A	N/A	N/A	0	1
Preliminary Design	MRTT Aircraft	N/A	N/A	N/A	0	1
	MRTT# 7 - GTC Aircraft	Oct 16	N/A	Nov 16	1	2, 3
Critical Design	MRTT Aircraft	N/A	N/A	N/A	0	1
	MRTT# 7 - GTC Aircraft	Dec 16	N/A	Mar 17	3	2, 4
Production Readiness Review	MRTT Aircraft	Dec 15	N/A	Mar 16	3	5
	MRTT# 7 - GTC Aircraft	Jun 17	N/A	Jul 17	1	2, 6
Test Readiness Review	MRTT# 7 - GTC Aircraft	Sep 18	Oct 18	Nov 18	2	2, 7
<b>Notes</b>						
1	MRTT aircraft system requirements and design reviews not required as the design was previously approved under the original acquisition contract, project AIR 5402 Air to Air Refuelling Capability.					
2	Additional Design Review milestones have been added for development of the MRTT GTC modification.					
3	MRTT# 7 GTC aircraft Preliminary Design Review (PDR) was completed in October 2016 with PDR milestone achieved in November 2016.					
4	MRTT# 7 GTC aircraft Critical Design Review (CDR) was completed in January 2017 with CDR milestone achieved in March 2017.					
5	The Additional MRTT Aircraft Production Readiness Review (PRR) was completed in December 2015 with PRR milestone achieved in March 2016.					
6	MRTT# 7 GTC aircraft PRR was completed and milestone achieved in July 2017.					
7	<b>Test Readiness Review (TRR) physically completed in Oct 18. Milestone sign off occurred in November 2018 after all other administrative activities were completed.</b>					

### 3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Planned	Achieved/Forecast	Variance (Months)	Notes
Acceptance	Purchase of first additional A330-200 aircraft	Jul 15	N/A	Jul 15	0	
	Purchase of second additional A330-200 aircraft	Nov 15	N/A	Nov 15	0	
	Acceptance of MRTT# 6	May 17	N/A	Jun 17	1	1
	Completion of MRTT#7 conversion	Aug 17	N/A	Aug 17	0	1
	MRTT#7 GTC Fitout Completion	Dec 18	Sep 18	Sep 18	(3)	2
	MRTT#7 GTC Final Acceptance	May 19	N/A	May 19	0	
	Contract Final Acceptance	Oct 17	Sep 19	Sep 19	23	3
<b>Notes</b>						
1	The Commonwealth has factored in additional time to accommodate rework activities that may be required to close out these milestones. This remains within the project's planned delivery window.					
2	The variance represents <b>the work was achieved ahead of schedule.</b>					
3	Variance is directly linked to the inclusion of the GTC modification and acceptance and introduction into service of the MRTT GTC aircraft. <b>Additionally, final acceptance will occur after the delivery of maintenance publications that occurs in September 2019 as detailed in the Airbus DS schedule.</b>					

### 3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Jul 17	Feb 18	7	1
Initial Operational Capability (IOC)	Jul 17	Apr 18	9	1
Final Materiel Release (FMR)	Mar 18	Oct 19	19	1
Final Operational Capability (FOC)	Mar 18	Dec 19	21	1, 2
<b>Notes</b>				
1	Variance is directly linked to the inclusion of the GTC modification and acceptance and introduction into service of the MRTT GTC aircraft.			
2	<b>FOC is identified in the MAA as December 2019. The 2 month variance to the forecast date previously reflected in the 2017-18 MPR represents non-realised predicted schedule savings with the forecast returning to the date as agreed when the GTC capability was introduced in March 2016. No variance currently exists to the planned FOC date for the GTC capability scope.</b>			



## Section 4 – Materiel Capability Delivery Performance

### 4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance	
<p>100%</p>	<p><b>Green:</b> The project is currently meeting Materiel Capability Requirements as expressed in the Materiel Acquisition Agreement.</p>
	<p><b>Amber:</b> N/A</p>
	<p><b>Red:</b> N/A</p>
<p><b>Note</b> 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)	KC-30A MRTT#6 delivered and accepted including the following: <ul style="list-style-type: none"> <li>Initial MRTT spares; and</li> <li>Initial Support equipment.</li> </ul> IMR was achieved in February 2018.	Achieved
Initial Operational Capability (IOC)	One KC-30A MRTT aircraft delivered to Defence with sufficient personnel at 33 squadron trained to perform their assigned roles.  IOC was achieved in April 2018.	Achieved

Final Materiel Release (FMR)	KC-30A MRTT#7 with GTC capability delivered and accepted including the following: <ul style="list-style-type: none"> <li>• Final delivery of remaining MRTT spares and support equipment;</li> <li>• Delivery of MRTT GTC spares and support equipment; and</li> <li>• Delivery of Aircraft Stores Replenishment Vehicle.</li> </ul> <p>FMR is expected to be achieved in October 2019.</p>	Not yet achieved
Final Operational Capability (FOC)	Two KC-30A aircraft delivered to Defence; one with a GTC capability and with sufficient personnel at 33 squadron trained to perform their assigned roles. Also includes other critical supporting elements delivered. <p>FOC is expected to be achieved in December 2019.</p>	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
1. The Logistics suite of products required to support both integration of the modification and or acceptance into service may not be synchronised with the aircraft delivery schedule.	Early identification of potential shortfalls and engagement with both prime contractor and external agencies to develop plans to secure adequate resources and or procurement of spares and support equipment for introduction into service of the additional two MRTT aircraft. <b>Risk closed as sufficient additional MRTT spares and support equipment have been delivered to support FMR &amp; FOC. Further the aircraft delivery has completed with the transfer of title and entry onto the defence register achieved May 2019. Therefore the risk has been fully retired.</b>
2. The additional suite of Logistics products required to support both integration of the modification and or acceptance into service, including Training Courses and Courseware to support the MRTT#7 GTC configuration may not be synchronised with the aircraft delivery schedule.	Early identification of potential shortfalls and engagement with prime contractor, their partnering contractors and external agencies to develop plans to secure adequate resources, training courseware and or procurement of spares and support equipment for introduction into service of MRTT#7 in GTC configuration. <b>This risk is closed following successful completion and delivery of GTC initial training and the recommended GTC spares provisioning list.</b>
3. Accreditation and certification of the suite of Information, Technology and Communications (ITC) equipment to be installed as part of MRTT#7 GTC fitout may not be achieved due to conflict with Airworthiness and security accreditation design requirements and deficiencies in the ITC design solution.	Early engagement with contractor and other Commonwealth agencies including airworthiness and accreditation authorities to verify and validate design, including conduct of formal verification testing in Europe prior to delivery and acceptance of MRTT#7 GTC aircraft in Australia. <b>This risk is closed following successful completion of the ICT accreditation process.</b>
4. Contractual acceptance of the KC-30A Government Transport and Communications (GTC) capability may be delayed / impacted by the identification of and time required to rectify unserviceability's identified during MRTT#7 scheduled maintenance. Contractual acceptance may also be impacted if, due to other contractual obligations Prime contractor resources are not available support MRTT#7 regression testing on completion of GTC conversion.	Maintain close communications with Airbus Defence and Space (AD&S) to ensure that the Commonwealth is informed of any unserviceability that may impact MRTT#7 GTC schedule, and that if required, activate contractual mechanisms to ensure prompt commitment so as not to delay rectifications and or MRTT regression testing, including any specialist resources to support that program prior to contractual acceptance of the MRTT#7 GTC capability. <b>This risk is closed as the aircraft has been contractually accepted.</b>
Emergent Risks (risk not previously identified but has emerged during 2018-19)	
Description	Remedial Action
N/A	N/A

### 5.2 Major Project Issues

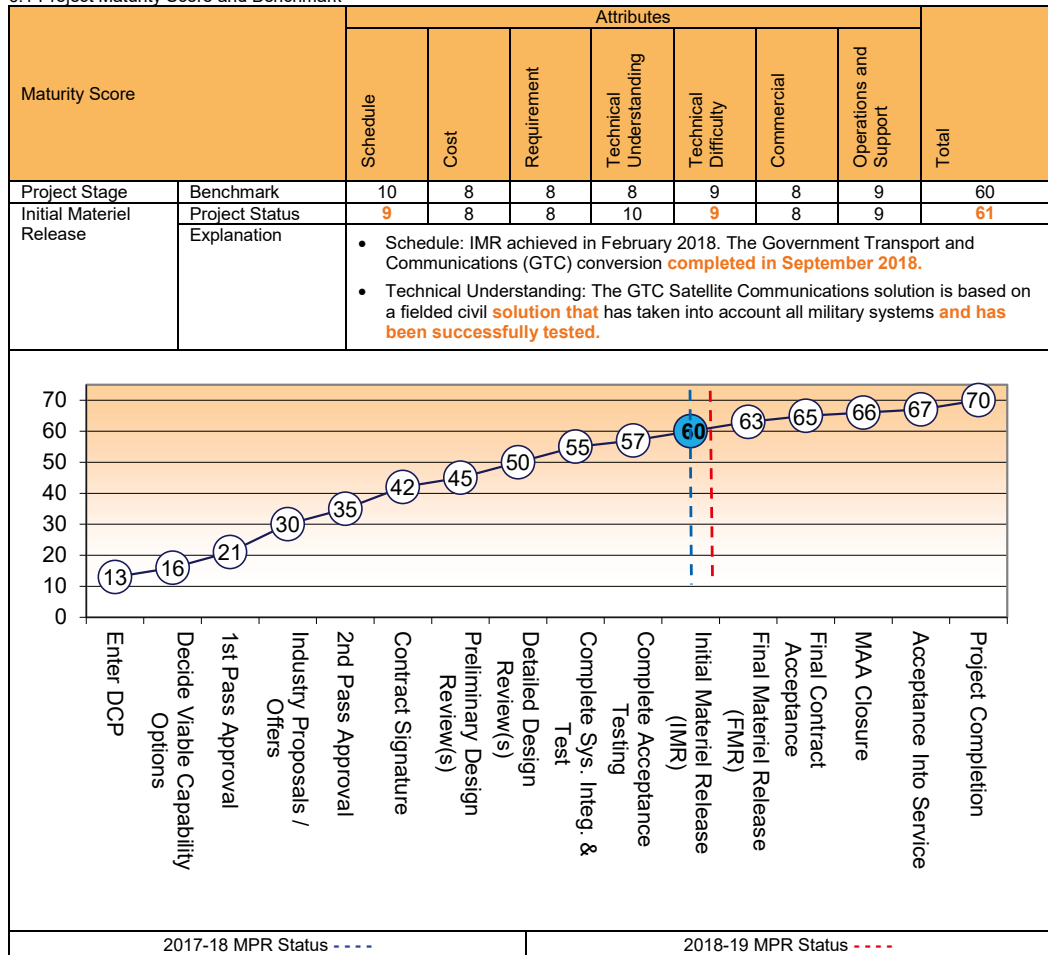
Description	Remedial Action
N/A	N/A
Note	
Major risks and issues in Section 5 is excluded from the scope of the review.	

## Project Data Summary Sheets

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## Section 6 – Project Maturity

### 6.1 Project Maturity Score and Benchmark



## Section 7 – Lessons Learned

### 7.1 Key Lessons Learned

Description	Categories of Systemic Lessons
N/A	N/A

## Section 8 – Project Line Management

### 8.1 Project Line Management as at 30 Jun 19

Position	Name
Division Head	AVM Catherine Roberts
Branch Head	AIRCDRE Graham Edwards
Project Director	Mr Wayne Bicket
Project Manager	WGCDR David Mackay

