

Project Data Summary Sheet¹⁶⁶

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
Budget at 2 nd Pass Approval	\$235.7m
Total Approved Budget (Current)	\$236.7m
2018-19 Budget	\$5.0m
Project Stage	Final Contract Acceptance
Complexity	ACAT III



LHD Landing Craft

Section 1 – Project Summary

1.1 Project Description

Joint Project (JP) 2048 Phase 3 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, the Landing Helicopter Dock (LHD), acquired under JP 2048 Phase 4A/4B. The craft are known as LHD Landing Craft (LLC). The 12 LLC were purchased as an organic ship to shore connector and will interface and operate with the LHD ships, enabling 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 2019 in-year expenditure of \$4.3m represents an underspend of \$0.7m. This is due to minor rescheduling of work to align with shifting Navy requirements.

Project Financial Assurance Statement

As at 30 June 2019, 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). Navy have rescheduled the incomplete LHD/LLC interface trials for carriage of heavy loads to be conducted during the Sea Series exercises during July 2019. Completion of the trial will support Navy's decision on Final Operational Capability (FOC).

Materiel Capability Delivery Performance

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

Note

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

166 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.

Part 3. Project Data Summary Sheets

1.3 Project Context

<p>Background</p> <p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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).
<p>Uniqueness</p> <p>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.</p>
<p>Major Risks and Issues</p> <p>The issue 'Impact to Project Closure due to the delay in achievement of Final Operational Capability' remains open until delayed Navy Operational Testing is complete. The heavy load testing has been rescheduled and is planned to be conducted during the Sea Series exercises in July 2019. Final Operational Capability is planned to be achieved in December 2019.</p>
<p>Other Current Related Projects / Phases</p> <p>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 and is their organic ship to shore connector.</p>
<p>Note</p> <p>Major risks and issues are 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
	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	
	Budget at Second Pass Approval	<u>235.7</u>	
Aug 13	Real Variation – Transfer	(7.7)	3
Jul 10	Price Indexation	0.1	4
Jun 19	Exchange Variation	8.6	
Jun 19	Total Budget	<u>236.7</u>	
	Project Expenditure		
Prior to Jul 18	Contract Expenditure – Navantia	(150.3)	
	Other Contract Payments / Internal Expenses	(26.0)	5
		<u>(176.3)</u>	
FY to Jun 19	Contract Expenditure – Navantia	0.0	6
	Other Contract Payments / Internal Expenses	(4.3)	
		<u>(4.3)</u>	
FY to Jun 19	Total Expenditure	<u>(180.6)</u>	
Jun 19	Remaining Budget	<u>56.1</u>	
	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.		

Project Data Summary Sheets

Auditor-General Report No. 19 2019–20
2018–19 Major Projects Report

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).
6	Other in-year expenditure comprises: Bulkhead upgrades (\$2.6m), Studies (\$1.5m) and operating costs (\$0.2m).

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
5.0	5.0	5.0	PBS-PAES: Nil variation. PAES-Final Plan: Nil variation.
Variance \$m	0.0	0.0	Total Variance (\$m): 0.0
Variance %	0.0	0.0	Total Variance (%): 0.0

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
			Australian Industry	As at 30 June 2019 work relating to improving carrying capacity has commenced and \$4.3m of these funds have been expended. The variance is due to minor rescheduling of work to align with shifting Navy requirements.
			Foreign Industry	
			Early Processes	
		(0.7)	Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
5.0	4.3	(0.7)	Total Variance	
		(14.0)	% Variance	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 19 \$m			
Navantia	Dec 11	148.9	150.3	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 June 19 is based on actual expenditure to 30 June 19 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 19				
Navantia	12	12	LHD Landing Craft and Support System			
Major equipment received and quantities to 30 Jun 19						
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.

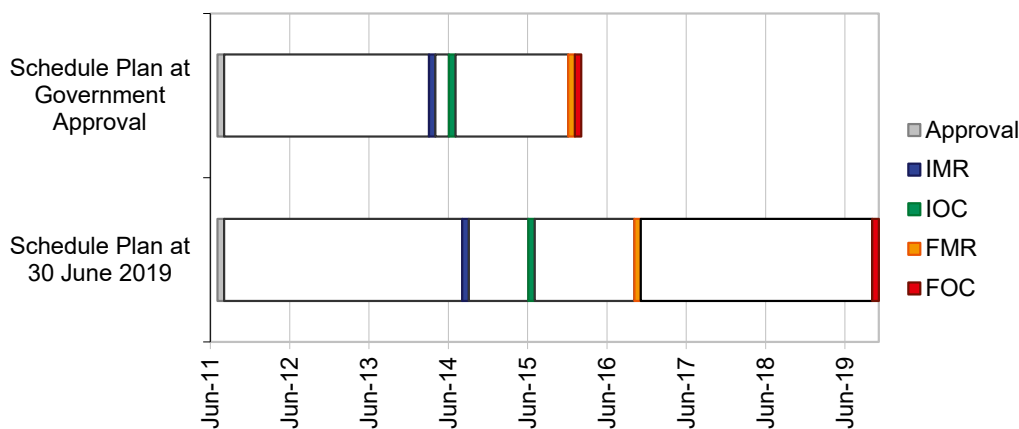
3.2 Contractor Test and Evaluation Progress

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	Dec 19	46	4
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.			
4	FOC was not achieved in Jun 18 as forecast due to the outstanding operational testing of heavy loads being deferred. The testing has been rescheduled and is planned to be conducted during the Sea Series exercises in July 2019. This has necessitated a corresponding re-schedule of FOC to December 2019.			

Scheduled Status at 30 June 2019



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

Project Data Summary Sheets

Auditor-General Report No. 19 2019–20
2018–19 Major Projects Report

Section 4 – Materiel Capability Delivery Performance

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Performance	
<p>99%</p>	<p>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 plans to complete the LHD/LLC interface trials in July 2019 which will support achievement of Final Operational Capability.</p> <p>Amber: The testing of heavy loads in May 2016 was not completed as planned for safety reasons. Navy is planning to complete the trial and confirm design and LLC capacity to carry heavy loads in July 19.</p> <p>Red: N/A</p>
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)	<ul style="list-style-type: none"> • 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
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> • LLC being able to undertake independent Ship Operations (ISO) utilising Humanitarian Assistance/Disaster Relief (HA/DR) operational loads. 	Achieved
Final Materiel Release (FMR)	<ul style="list-style-type: none"> • 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
Final Operational Capability (FOC)	<ul style="list-style-type: none"> • The ability of the LHD Landing Craft to act as the ships' surface manoeuvre assets for the LHD during Amphibious Operations utilising all amphibious trained personnel, stores and heavy vehicular loads. 	Yet to be 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
N/A	N/A
Emergent Risks (risk not previously identified but has emerged during 2018-19)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

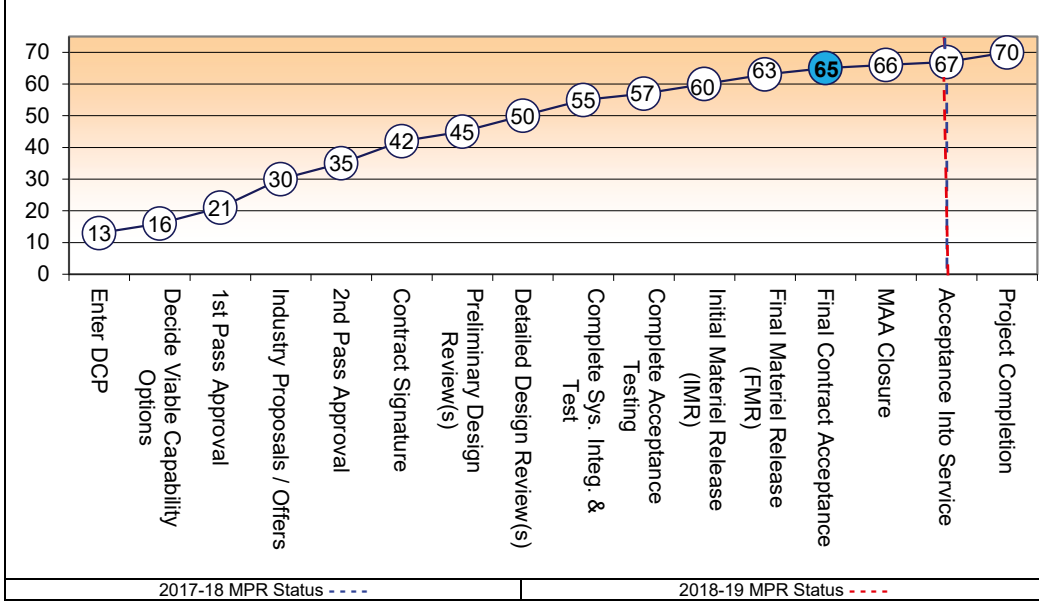
Description	Remedial Action
Project Closure was not achieved in December 2016 as forecast due to a delay in Operational T&E leading to a delay in achievement of FOC and project closure.	Work with Navy to complete Operational Testing. Supply Contractor documentation such as Acceptance Test Reports (ATRs) of the LLC trials conducted in Spain; and

	Reschedule the incomplete LHD/LLC interface trials of May 2016 for carriage of heavy loads. Navy is planning to complete the trial and confirm design and LLC capacity to carry heavy loads in July 2019. Completion of the trial will support Navy's decision on Final Operational Capability (FOC).
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	10	9	9	9	9	65
Final Contract Acceptance	Project Status	10	9	9	10	10	10	9	67
	Explanation	<ul style="list-style-type: none"> Requirement: Operational Testing of heavy loads is yet to be declared complete by Navy. Navy is planning to complete the trial and confirm design and LLC capacity to carry heavy loads in July 2019. Technical Understanding: Defence fully understands the solution and has the means necessary to operate, support and to make necessary modifications to meet changing operational needs. Technical Difficulty: Operational Test and Evaluation has confirmed the suitability of the design for its intended use. 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. 							



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 as at 30 June 2019

Position	Name
Division Head	RADM Wendy Malcom
Branch Head	CDRE Robert Elliott
Project Director	Mr Paul Heiskanen
Project Manager	Mr Thomas Egan

