

Project Data Summary Sheet¹⁵⁵

Project Number	AIR 7000 Phase 2B
Project Name	MARITIME PATROL AND RESPONSE AIRCRAFT SYSTEM
First Year Reported in the MPR	2014-15
Capability Type	Replacement
Acquisition Type	MOTS
Capability Manager	Chief of Air Force
Government 1st Pass Approval	Jul 07
Government 2nd Pass Approval (or key Government pre-Second Pass Approval)	Feb 14
Budget at 2 nd Pass Approval (or key Government pre-Second Pass Approval)	\$3,577.7m
Total Approved Budget (Current)	\$5,362.4m
2019-20 Budget	\$299.8m
Project Stage	Initial Materiel Release
Complexity	ACAT II



Section 1 – Project Summary

1.1 Project Description

AIR 7000 Phase 2B seeks to acquire the materiel elements of the Maritime Patrol and Response Aircraft (MPRA) weapon system, including a Through Life Support (TLS) system, as partial replacement of the AP-3C Orion aircraft.

Twelve P-8A Poseidon aircraft will be purchased for the Royal Australian Air Force (RAAF) through a Cooperative Program (CP) with the United States Navy (USN). The scope of the CP includes the Production, Sustainment and Follow-on Development (PSFD) of the United States Navy and RAAF P-8A Poseidon fleet.

1.2 Current Status

Cost Performance

In-year

The project had an underspend of **\$76.3m** for this financial year, achieving a spend of **\$223.5m** at **30 June 2020** against a planned in-year budget of **\$299.8m**. The variation is due to delayed expenditure on some US Navy activities and the Mk54 torpedo Foreign Military Sales and lower than expected expenditure on facilities.

Project Financial Assurance Statement

As at **30 June 2020**, AIR 7000 Phase 2B Project Office has reviewed the project's approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial 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.

Contingency Statement

The project has not applied contingency in the financial year.

Schedule Performance

In August 2014, an Advanced Acquisition Contract (AAC) was signed by the USN, on behalf of Australia, for the first four RAAF P-8A aircraft. The AAC for the second set of four P-8A aircraft was signed in June 2015. The AAC for the third set of four P-8A aircraft was signed in May 2016. The AAC allows the Prime Contractor, Boeing, to acquire long lead items in order to ensure that all required components are available on time for assembly of the P-8A aircraft. The USN placed the full aircraft production contract for the first four Australian P-8A aircraft with Boeing in August 2015. The contract for the second set of four aircraft, Lot 7, was placed in January 2016 and the third set of four aircraft, Lot 8, was placed in March 2017 (total of 12 aircraft).

The third set of four aircraft was approved by government in February 2016 with a budget of \$1,295.4m. The additional aircraft and budget has increased the AIR 7000 Phase 2B project scope. As a result of the increased scope, an update to the Materiel Acquisition Agreement (MAA) and Schedule has occurred.

The Royal Australian Air Force (RAAF) accepted the first aircraft in October 2016 ahead of schedule. Since this delivery, positive

155 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.

schedule performance has continued, with **all twelve** aircraft accepted as at **December 2019**. Aircrew and maintenance training systems were delivered in time to support commencement of in-country training by 92 Wing at RAAF Base Edinburgh from July 2018. **Initial Operational Capability (IOC) was declared by Air Force in January 2018**. Final Materiel Release (FMR) and Final Operational Capability (FOC) dates **remain at June 2022**.

Materiel Capability Delivery Performance

The P-8A Poseidon is being developed under a spiral development program by the USN. The spiral development consists of an evolution of increments, each of which has a number of Engineering Change Proposals (ECP) that define the maturing configurations of the increment. The variant of the first P-8A acquired under the scope of Phase 2B is defined as Increment 2, ECP 2.

AIR 7000 Phase 2C proposes to be the first major upgrade of the aircraft purchased under AIR 7000 Phase 2B (predominantly a Mission System upgrade delivered in the later ECPs of Increment 3) subject to future government approval.

The USN declared Initial Operational Capability (IOC) for the Increment 2, ECP 1 aircraft in October 2014, and declared IOC for the Increment 2 ECP 2 aircraft in August 2016. Through the CP, Australia has had significant insight into, and influence on Search and Rescue Kit and Harpoon 1G integration, the work being undertaken on the Increment 2, ECP 2 configuration, and has high confidence that the aircraft (and supporting systems) will provide the capability required by the MAA.

The Initial Materiel Release milestone was achieved in November 2017, enabling Air Force to declare IOC in January 2018.

The Materiel Release 2 milestone was achieved in January 2019. This milestone relates predominantly to delivery of the necessary capability elements for 92Wing to commence training of aircrew and maintenance personnel in Australia, along with provision of spares and explosive ordnance elements. Air Force subsequently declared achievement of the Operational Capability 2 milestone in February 2019.

CASG achieved the Materiel Release 3 (MR3) milestone requirements in December 2019 as scheduled, with the exception of the Objective Search and Rescue (SAR) store capability (UNIPAC III) which is being managed as a caveat. The Capability Manager representative is expected to agree to the declaration of Materiel Release 3 in September 2020. This milestone relates to delivery of the final Mobile Tactical Operations Centre (MTOC) (totalling three), four additional P-8A aircraft (totalling eight), additional spares, support equipment and explosive ordnance, final publications and the Objective Search and Rescue (SAR) store capability.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General’s Independent Assurance Report.

1.3 Project Context

Background

Project AIR 7000 Phase 2B is an ACAT II project, seeking to acquire the P-8A Poseidon **Maritime Patrol and Response Aircraft (MPRA)** capability, as partial replacement for the AP-3C Orion capability, under a CP with the USN. IOC was announced in January 2018, supporting the **drawdown** of the AP-3C Orion **fleet in the maritime patrol role**.

In December 2011, Government approval was provided to participate in the CP for development of P-8A aircraft and, in March 2012, the Project entered into an initial 10-year Memorandum of Understanding (MoU) with the USN for P-8A PSFD. The MoU defines Australia’s contribution towards the joint costs for PSFD, and the separate funding of Australian-unique deliverables and effort.

The Increment 3 Project Arrangement was signed in September 2012 to enable Australia to participate in the incremental upgrade to Phase 2B. This upgrade will be incorporated under AIR 7000 Phase 2C.

In February 2014, Government Second Pass Approval was for the Project to acquire eight P-8A Poseidon aircraft, along with associated support and training systems. The Government approved the acquisition of an additional four (4) aircraft in February 2016.

The Project Office issues Procurement Requests (PRs) to advise the CP of Australia’s intent to acquire materiel through the CP. After an appropriate scope, schedule and cost have been advised by the CP, the Project Office issues a Letter of Authority (LOA) which provides Australia’s financial commitment for the acquisition. The Project formally submitted its first PR through the CP in June 2014, which covered aircraft, aircrew training devices, aircraft spares, aircraft support and test equipment, transition training and other support elements.

On 4 September 2014, Defence signed a LOA authorising the USN to procure Australian P-8A initial aircraft spares.

In May 2015, the USN signed the contract for Australia’s P-8A Aircrew Training Devices to be delivered in 2017-18.

Sustainment and in-service support will provide opportunities for Australian Industry involvement. Further opportunities exist for Australian Industry in facilities and infrastructure development.

In accordance with the approved acquisition strategy, opportunities for Australian Industry participation in the broader USN P-8A Global program will exist on a competitive contracting basis throughout the life-cycle of the P-8A. Opportunities include component manufacture, component repair, and research and design services.

AIR 7000 Phase 2B also seeks to generate Australian industry participation in the acquisition, sustainment and follow-on development phases of the program through the Australian Industry Capability and Boeing Global Supply Chain.

Uniqueness

The RAAF P-8A aircraft will be identical to the USN P-8A aircraft, except for minor configuration differences due to national requirements (such as different aircraft marking schemes). Other support elements, such as training devices and spares, will also be kept as common as technically possible.

AIR 7000 Phase 2B is acquiring, and sustaining, the P-8A capability through a Government to Government CP with the USN. This arrangement is distinctly different from the traditional Foreign Military Sales (FMS) or Direct Commercial Sales (DCS) arrangements.

The benefits of a CP include significantly enhanced insight and influence over the development of the weapon system, better awareness and control of project costs drivers and risks, better access to technical and sustainment data, and access to the USN wholesale spares warehouse.

There are 16 Commonwealth personnel embedded in the USN Program organisations to provide input, insight and influence across the P8 program. These embedded team members are referred to as Cooperative Program Personnel (CPP).

<p>Major Risks and Issues</p> <p>The Project Office has retired a previously reported High Risk associated with the Mk 54 Torpedo delivery following receipt in October 2019, whilst the High Risk associated with a delay to the delivery of the UNIPAC III Search and Rescue kit by the end of 2019 has realised. The Project Office has agreed a revised delivery date with Air Force and this is planned to be managed as a caveat to MR3.</p> <p>MR2 was declared to Air Force with minor spares (Fly Away Kit) deficiencies and an outstanding qualification requirement for the Operational Flight Trainer (pilot simulator). Neither of these deficiencies represented an operational impact, resulting in Air Force declaring OC2 in February 2019. The Project Office has largely remediated the minor spares (Fly Away Kit) deficiencies, with delivery of remaining spares to be managed with the US Navy as they become available. The outstanding qualification requirement for the Operational Flight Trainer (pilot simulator) continues to be managed by the Project Office in conjunction with the US Navy as part of the jointly-managed simulator upgrade program.</p> <p>MR3 was declared to Air Force with three deficiencies: permanent installation of one MTOC at RAAF Edinburgh, spares and support equipment to support the allocated Rate of Effort and delivery of the Objective Search and Rescue Store. Further details are provided in Section 5.2.</p> <p>All other previously reported major risks and issues have been either retired, downgraded or transferred to sustainment to manage.</p>
<p>Other Current Related Projects/Phases</p> <p>Project AIR 7000 Phase 1B received Second Pass approval in June 2018 to acquire a High Altitude Long Endurance, Remotely Piloted Aircraft System for patrol and surveillance purposes. The selected aircraft was the MQ-4C Triton platform, procured through a Cooperative Program with the United States Navy, similar to the P-8A acquisition. The Triton forms a critical aspect of the 'Family of Systems' approach, to replace the AP-3C Orion Capability. The Australian Government announced the investment decision through a joint media release statement on 26 June 18.</p>
<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 Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
Nov 07	Government First Pass Approval	144.1	1
Jul 10	Real Variation - Real Cost Decrease	(21.7)	2
Dec 11	Real Variation - Transfer	(38.0)	3
Apr 12	Government Intermediate Consideration	83.5	4
Feb 14	Government Second Pass Approval	3,409.8	5
	Total at Second Pass Approval	<u>3,577.7</u>	
Mar 16	Real Variation - Scope	1,295.4	6
Jun 18	Real Variation - Transfer	1.0	6
Jun 20	Real Variation - Real Cost Decrease	(20.3)	7
		<u>1,276.1</u>	
Jul 10	Price Indexation	20.5	8
Jun 20	Exchange Variation	488.1	
	Total Budget	<u>5,362.4</u>	
	Project Expenditure		
Prior to Jun 19	Contract Expenditure - Aircraft Acquisition Payments - Lot 6	(775.3)	
	Contract Expenditure - Aircraft Acquisition Payments - Lot 7	(784.2)	
	Contract Expenditure - Aircraft Acquisition Payments - Lot 8	(595.0)	
	Contract Expenditure - Aircrew Training System Contract	(358.4)	
	Contract Expenditure - Aircraft Government Furnished Equipment	(186.4)	
	Contract Expenditure - Aircraft Retail Spares	(122.2)	
	Contract Expenditure - PSFD MoU Contributions	(121.3)	
	Contract Expenditure - Increment 1 Contribution	(66.0)	
	Other Contract Payments / Internal Expenses	(894.0)	9
	Other adjustments to cash reporting	2.4	
		<u>(3,900.4)</u>	
FY to Jun 20	Contract Expenditure - Aircraft Acquisition Payments - Lot 8	(147.7)	
	Contract Expenditure - Aircrew Training Systems Contract	(4.5)	
	Contract Expenditure - PSFD MoU Contributions	(13.1)	
	Other Contract Payments / Internal Expenses	(58.2)	10
		<u>(223.5)</u>	
	Total Expenditure	<u>(4,123.9)</u>	
Jun 20	Remaining Budget	<u>1,238.5</u>	

Notes	
1	Government First Pass Approval to initiate the Project and progress the project to Intermediate Consideration. At First Pass, AIR 7000 entered the Spiral 1 MoU with the USN for development of the P-8A weapon system.
2	Hand back of contingency funding due to retirement of specific Increment 1 MoU risks.
3	Reallocation of funding to Defence Support and Reform Group to develop AIR 7000 Phase 2B facilities requirements.
4	Government Intermediate Consideration Funding Approval required to progress the project to 2nd Pass Government approval. Includes costs of project planning documentation development and contractor project support services.
5	Government Second Pass Approval to fund the acquisition of eight P-8A aircraft, and associated support systems and sustainment arrangements.
6	Government Second Pass Approval to fund the acquisition of an additional four P-8A aircraft and associated support systems. Whilst funding approval was provided under AIR7000 Phase 2D, funds have been merged with AIR7000 Phase 2B for administration and reporting purposes as it relates to the delivery of one capability. \$1m was transferred from DST Group due to surplus funds in FY2017-18.
7	The Project was subject to a Real Cost Decrease by the Capability Manager as a result of identified savings. This reduction has not impacted delivered capability or scope of the project.
8	Until July 2010, indexation was applied to project budgets on a periodic basis. The cumulative impact of this approach was \$17.4m. In addition to this amount, the impact on the project budget as a result of out-turning was a further \$3.1m having been applied to the remaining life of the project.
9	Other expenditure to 30 June 2019 was comprised of Maintenance Training Device scoping and acquisition costs of \$113.7m, Increment 3 contributions of \$84.1m, Wholesale Spares Pool of \$39.8m, Operational Load Management \$39m, Aircrew Maintenance and Training costs of \$36.6m, MK 54 acquisition costs of \$36.6m, Sonobuoys acquisition cost of \$41.9m, Commonwealth Project Personnel (CPP) expenses of \$22m, Mission Support System (MSS) of \$21.2m, DIRCM spares of \$20.3m, Tactical Operational Centre/Mobile Tactical Operational Centre (MTOC) scoping and acquisition costs of \$19.5m, Engine Spares \$16.8m, Support and Test Equipment (S&TE) acquisition costs of \$31.7m, Search and Rescue (SAR) Kit \$11.8m, CIOG Single Integration Environment of \$13.6m, ICT Co-operative Solution payment of \$4.9m, Field Service Representative (FSR) payments of \$4.6m, Training System Support Services/Spares of \$20.7m, Sustainment Transition \$29.2m, SNS Reliability Retrofit \$28.9m, Spare Engine \$23.4m, Strategic Support Partnership Contract (SSPC) and Major Service Provider (MSP) \$27.5m, Air to Air Refuelling \$19.9m, Transportation Training Systems \$9.9m, Training Systems Support \$4.6m, Ordnance \$11.7m, Objective Search and Rescue (SAR) store Integration Services \$0.8m, Objective SAR Kit development and delivery \$1.9m, PSFD MoU Inc 3 Payment \$14.2m, CIOG ICT integration \$7.5m, and other operating expenditure not attributable to the listed major contracts of \$135.7m.
10	Other expenditure to 30 June 2020 was comprised of Support and Test Equipment (S&TE) acquisition costs of \$23.2m, MK 54 acquisition costs of \$14.7m, Major Service Provider (MSP) expenses of \$5.2m, CIOG ICT integration \$3.7m other operating expenditure not attributable to the listed major contracts of \$11.3m.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
360.3	301.6	299.8	PBS – PAES: The variation reflects revised financial commitments to the cooperative program for aircraft and weapon payments. The variation is primarily due to the earlier programming of 2019-20 aircraft payment funding into 2018-19. PAES: Minor variation.
Variance \$m	(58.7)	(1.8)	Total Variance (\$m): (60.5)
Variance %	(16.3)	(0.6)	Total Variance (%): (16.8)

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(18.9)	Australian Industry	The project underspend of \$76.3m was due to delayed expenditure on some US Navy activities and the Mk54 torpedo Foreign Military Sales and lower than expected expenditure on facilities.
			Foreign Industry	
			Early Processes	
		(57.4)	Defence Processes	
			Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
299.8	223.5	(76.3)	Total Variance	
		(25.5)	% Variance	

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2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 20 \$m			
PSFD MoU - Contributions (US Government)	Mar 12	130.4	145.2	Cost Ceiling (Capped)	MoU	1,8
Aircraft Government Furnished Equipment (GFE) (US Government)	Apr 14	142.9	233.4	Variable	MoU	2,7,8
AAC and Aircraft Production Lot 6 (US Government)	Aug 14	159.0	775.3	Variable	MoU	3,7,8
Retail Aircraft Spares (US Government)	Sep 14	122.1	122.2	Variable	MoU	4,7,8
Aircrew Training Systems (US Government)	Dec 14	275.4	358.4	Variable	MoU	5,7,8
AAC and Aircraft Production Lot 7 (US Government)	Jun 15	182.5	784.3	Variable	MoU	6,7,8
AAC and Aircraft Production Lot 8 (US Government)	May 16	139.0	742.7	Variable	MoU	8,9
Notes						
1	PSFD MoU shared contributions are limited to a cost ceiling, which can only be changed upon mutual written consent of the Participants. Australia is responsible for paying a proportion of the total costs based on the relative number of Australian aircraft in the overall fleet.					
2	Aircraft GFE to be procured via contract arrangements between the USN and various suppliers for Lot 6, Lot 7 and Lot 8 aircraft. Price represents the total value of contracts expected to be awarded and for which Section 23 Commitment Approval has been obtained. The USN are procuring the GFE on behalf of Australia as part of a consolidated US Government purchase.					
3	Lot 6 Aircraft AAC – signature allowed the prime contractor, Boeing, to procure long-lead aircraft components prior to entering into fully defined contract arrangement. Lot 6 production contract for acquisition of the first four aircraft was signed on 21 August 2015.					
4	Retail aircraft spares requirements to be procured via US Naval Supply Systems Command (NAVSUP) contracts, from USN inventory or via other US Government agency arrangements. The majority of retail spares are to be procured via NAVSUP.					
5	Aircrew Training Devices - signature allowed the prime contractor, Boeing, to acquire the required long-lead parts, commence engineering and program management activities in support of Australian P-8A training device production. A fully defined contract was signed May 2015.					
6	Lot 7 Aircraft AAC – signature allowed the prime contractor, Boeing, to procure long-lead aircraft components prior to entering into fully defined contract arrangement. Lot 7 production contract for acquisition of the second set of four aircraft was signed in January 2016.					
7	'Contract signature' dates in this table are based on the date each LoA was issued by AIR 7000 Phase 2 project office. LoAs are issued by the project formally authorising the commitment and/or obligation of funds for contract execution or efforts to satisfy Australian-unique requirements.					
8	Contract value as at 30 June 2020 is based on actual expenditure to 30 June 2020 and remaining commitment at current budget exchange rates.					
9	Lot 8 Aircraft AAC – signature allowed the prime contractor, Boeing, to procure long-lead aircraft components prior to entering into fully defined contract arrangement. Lot 8 production contract for acquisition of the third set of four aircraft was signed in March 2017.					
Contractor	Contracted Quantities as at		Scope	Notes		
	Signature	30 Jun 20				
PSFD MoU - Contributions (US Government)	N/A	N/A	Australia's contribution to shared costs from 2012-13 to 2021-22 based on the original purchase of eight aircraft. Includes contribution to production, sustainment and follow-on development for common efforts, and project overhead and administration costs.	1		
Aircraft Government Furnished Equipment (GFE) (US Government)	Various	Various	Items to be procured in support of production of Lot 6 (aircraft 1-4), Lot 7 (aircraft 5-8) and Lot 8 (aircraft 9-12).	2		
AAC Lot 6 (US Government)	Various	Various	Four Lot 6 aircraft and long-lead P-8A aircraft components.	3		
Retail Aircraft Spares (US Government)	Various	Various	Initial spares buy for the first eight aircraft.			
Aircrew Training Systems (US Government)	Various	Various	Training Systems Support Centre, Weapons Tactics Trainers, Part Task Trainer, Operational Flight Trainers, Mission Systems Desktop Trainers and Training Support.			
AAC Lot 7 (US Government)	Various	Various	Four Lot 7 aircraft and long-lead P-8A aircraft components.	4		
AAC Lot 8 (US Government)	Various	Various	Four Lot 8 aircraft and long-lead P-8A aircraft components.	5		

Major equipment accepted and quantities to 30 Jun 20	
To date, all twelve aircraft and all three Mobile Tactical Operations Centres (MTOCs) have been delivered.	
Notes	
1	No equipment delivered as part of this MoU.
2	GFE delivery will be to prime contractor for aircraft production.
3	The contract for acquisition of the first four aircraft was signed in August 2015, with all four aircraft being delivered.
4	The contract for acquisition of the second set of four aircraft was signed in January 2016, with all four aircraft being delivered.
5	The contract for the acquisition of the third set of four aircraft was signed in March 2017, with all four aircraft delivered, and the final aircraft delivered in December 2019.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System / Platform Variant	Original Planned	Current Contracted	Achieved / Forecast	Variance (Months)	Notes
Component Advance Development	Multi-Mission Maritime Aircraft (subsequently called the P-8A Poseidon)	N/A	N/A	2002	N/A	1
System Design Development (SDD) - Milestone B	P-8A SDD	May 04	May 04	May 04	0	2
Design Readiness Review	P-8A SDD	Jul 07	Aug 07	Aug 07	1	
Milestone C	P-8A SDD	May 10	Aug 10	Aug 10	3	3
FRP Decision	P-8A Increment 2	Apr 13	Dec 13	Jan 14	9	4,5
Notes						
1	Component Advance Development was a competitive award to multiple contractors to define alternative Multi Mission Aircraft concept system architectures and evaluate associated risks and proposed mitigations.					
2	SDD phase was used to design, develop and test the P-8A system.					
3	Milestone C represents Low Rate Initial Production (LRIP) Approval and entry into the Production and Deployment Phase.					
4	US Defense Acquisition Board approved the deferral of the Full Rate Production (FRP) decision from the original planned to allow for completion of the testing and subsequent reporting as well as adding an additional LRIP (Lot IV).					
5	AIR 7000 Phase 2B relies on the Design Review processes of the USN.					

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	Fleet Release 30 (Increment 2 ECP 1)	Apr 14	Dec 14	Dec 14	8	1
	Fleet Release 40 (Increment 2 ECP 2)	Aug 15	Aug 16	Aug 16	12	1,2
	Fleet Release 46 (Increment 2 ECP 3)	Apr 17	Oct 17	Nov 17	7	1,3
Acceptance	Accept and deliver Lot 6 Aircraft (1-4)	Nov 16 - Sep 17	Nov 16 - Aug 17	Oct 16 - Jul 17	(2)	4,7
	Accept and deliver Lot 7 Aircraft (5-8)	Dec 17 - Sep 18	Dec 17 - Aug 18	Oct 17 - Jun 19	10	5,7
	Accept and deliver Lot 8 Aircraft (9-12)	Aug 19 - Feb 20	Aug 19 - Feb 20	Aug 19 - Dec 19	(2)	6,7
	MTOC and two Deployable MTOCs	Sep 16 - Aug 18	Nov 16 - Dec 19	Feb 17 - Jul 19	11	8
	Training System	Jan 18 - Mar 18	Mar 18 - Jun 18	Mar 18 - Jul 18	4	9
Notes						
1	Fleet Releases are the final configurations for the incremental builds of the P-8A Weapon System. Increment 2 is being delivered through a number of smaller Engineering Change Proposals. Variance from original planned dates are due to changes in the Boeing / USN schedule.					
2	Due to data disclosure issues FR 40 was updated to 40.1 and finalised in November 2016.					
3	Fleet Release 50 was re-titled Fleet Release 46 to align with the management of the Lot 8 production contract. The capabilities planned were unchanged as the change was solely based on nomenclature. The release of this variant was delayed by seven months due to developmental issues in the new capabilities to be incorporated.					
4	Australian Lot 6 aircraft were delivered in October 2016, February 2017, April 2017, and July 2017.					
5	Australian Lot 7 aircraft were delivered in October 2017, January 2018, May 2018, and June 2019.					
6	Australian Lot 8 aircraft were delivered in August 2019, September 2019, October 2019, and December 2019.					
7	Australia adopted a model of Recognition of Prior Acceptance for Aircraft certification.					
8	Variance is due to an additional Mobile Tactical Operations Centre (MTOC 32) being added to project scope as part of the February 2016 Government Approval for the purchase of 4 additional aircraft. MTOC 32 was forecast for delivery in December 2019 however was accepted ahead of schedule in July 2019.					
9	Variance from original planned date is due to the inability of the Original Equipment Manufacturer (OEM) to deliver the full Training System as per the contract. All training devices were delivered prior to the commencement of the first conversion training courses.					

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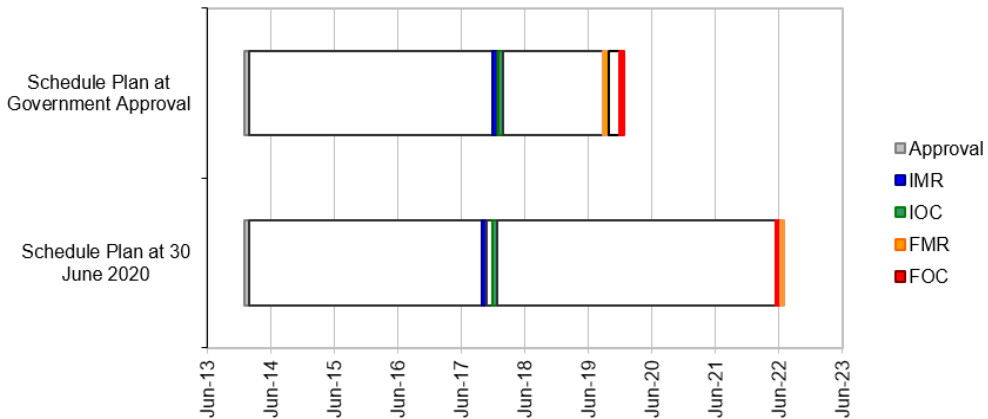
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3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Materiel Release 1 (MR1)	Jan 17	May 17	4	1,2
In Service Date (ISD)	Nov 16	May 17	6	1
Initial Materiel Release (IMR)	Jan 18	Nov 17	(2)	3
Initial Operational Capability (IOC)	Feb 18	Jan 18	(1)	3
Materiel Release 2 (MR2)	Dec 18	Jan 19	1	4
Operational Capability 2 (OC2)	Jan 19	Feb 19	1	6
Materiel Release 3 (MR3)	Dec 19	Dec 19	0	7,8
Final Materiel Release (FMR)	Oct 19	Jun 22	32	5
Final Operational Capability (FOC)	Jan 20	Jun 22	29	5

Notes				
1	Variance due to the delay in accepting the first MTOC actually occurring in February 2017.			
2	When declaring MR1, CASG acknowledged the Threshold Search and Rescue Store capability would not be delivered until IMR. This was achieved, at the completion of Operational Test & Evaluation (OT&E) activities late in November 2017.			
3	Due to positive schedule performance across all areas of the project all requirements for IMR were delivered prior to forecast date, enabling Air Force to claim IOC on schedule.			
4	Variance of one month is due to time taken for CASG and Air Force to perform analysis of minor MR2 deficiencies. This was necessary to confirm that P-8 capability would not be affected by these minor deficiencies.			
5	FMR & FOC dates were revised following February 2016 Government Approval of the purchase of four additional aircraft.			
6	Air Force declared OC2 despite two minor MR2 deficiencies relating to spares (Fly Away Kit) and Operational Flight Trainer (pilot simulator) qualification. The Project Office has largely remediated the minor spares (Fly Away Kit) deficiencies, with delivery of remaining spares to be managed with the US Navy as they become available. The outstanding qualification requirement for the Operational Flight Trainer (pilot simulator) continues to be managed by the Project Office in conjunction with the US Navy as part of the jointly-managed simulator upgrade program. The issue has been retired and will no longer be reported. A new medium Risk has been raised to reflect the current assessment and managed resolution of the MR2 deficiency relating to OFT qualification.			
7	The Capability Manager representative is expected to agree to the declaration of Materiel Release 3 in September 2020.			
8	UNIPAC III could not be delivered by Dec 2019 due to a transportation accident in the US. The MR3 declaration contains a caveat against UNIPAC III delivery as a result. Details are provided in section 5.2 of the PDSS.			
9	The 2018-19 MPR included reference to the OC3 milestone in this section. The OC3 milestone was generated following the increase in project scope of four aircraft to a total of 12 aircraft. While CASG retained the equivalent MR3 milestone, Air Force has since rolled the scope of OC3 into the FOC milestone. The OC3 milestone will no longer be disclosed in the PDSS.			

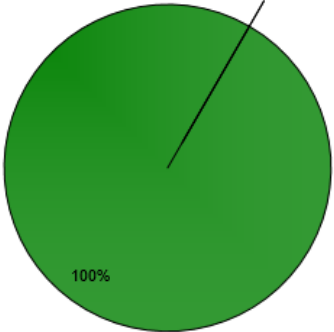
Schedule Status at 30 June 2020



Note
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

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>Green: The project is currently meeting capability requirements as expressed in the MAA and supporting suite of Capability Definition Documentation 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 Auditor-General's Independent Assurance Report.</p>	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	<ul style="list-style-type: none"> • 4 x P-8A aircraft delivered to RAAF Edinburgh (EDN). • 2 x MTOCs (previously delivered) in the following configurations: <ul style="list-style-type: none"> ○ 1 x MTOC installed within Main Operating Base (MOB) temporary facility (not readily deployable). ○ 1 x MTOC temporarily installed at Forward Operating Base (FOB) either within interim fixed facility or deployable shelters. • 7 x trained aircrews. • 3 x trained Mission Support System teams. • 7 x trained maintenance teams. • Delivery of spares, Ground Support Equipment (GSE) and Support and Test Equipment (S&TE) to support MOB and FOB operations. • Publications to support supply, maintenance and operations for IOC. • Network Connectivity between all delivered P-8A aircraft and Australian Single Information Environment. • Delivery of Threshold Search and Rescue (SAR) store capability. <p>IMR was achieved in November 2017.</p>	Achieved
Initial Operational Capability (IOC)	<ul style="list-style-type: none"> • Delivery of 4 P-8A aircraft able to deliver up to 1,000hrs Flying Rate of Effort; • Minimum of 4 mission capable crews in MISR missions • Trained and authorised maintenance and support staff to conduct MOB and FOB (Darwin) operations • Delivery of spares, GSE and S&TE to support MOB and FOB (Darwin) operations • Delivery of 2 MTOCs: MOB and FOB (Darwin) with Single Information Environment (SIE) interface • Established training arrangements in place to conduct ongoing transition, conversion and sustainment training • Completion of Initial Operational Test & Evaluation (IOT&E) • Award of Australian Military Type Certificate (AMTC) and Service Release <p>IOC achieved in January 2018.</p>	Achieved

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Final Materiel Release (FMR)	<ul style="list-style-type: none"> 12 x P-8A aircraft delivered to EDN. All spares, GSE and S&TE to support the additional Rate of Effort (6,600 hours) at both MOB and FOB. One MTOC to be semi-permanently installed and operational in Darwin, totalling 3 MTOCs delivered and installed. Three Media Fly Away Kits delivered and interfaced with SIE sufficiently to allow organic deployment to non-MTOC supported bases. <p>FMR is expected to be achieved in June 2022.</p>	Not yet achieved
Final Operational Capability (FOC)	<ul style="list-style-type: none"> 12 x P-8A aircraft 3 x Fly Away Kit MTOC with SIE interface Support systems in place to enable the delivery of the full 6,600hrs of annual Flying Rate of Effort Additional spares to support 6,600hrs annual Flying Rate of Effort <p>FOC is expected to be achieved in June 2022.</p>	Not yet achieved
Note		

Section 5 – Major Risks and Issues

5.1 Major Project Risks

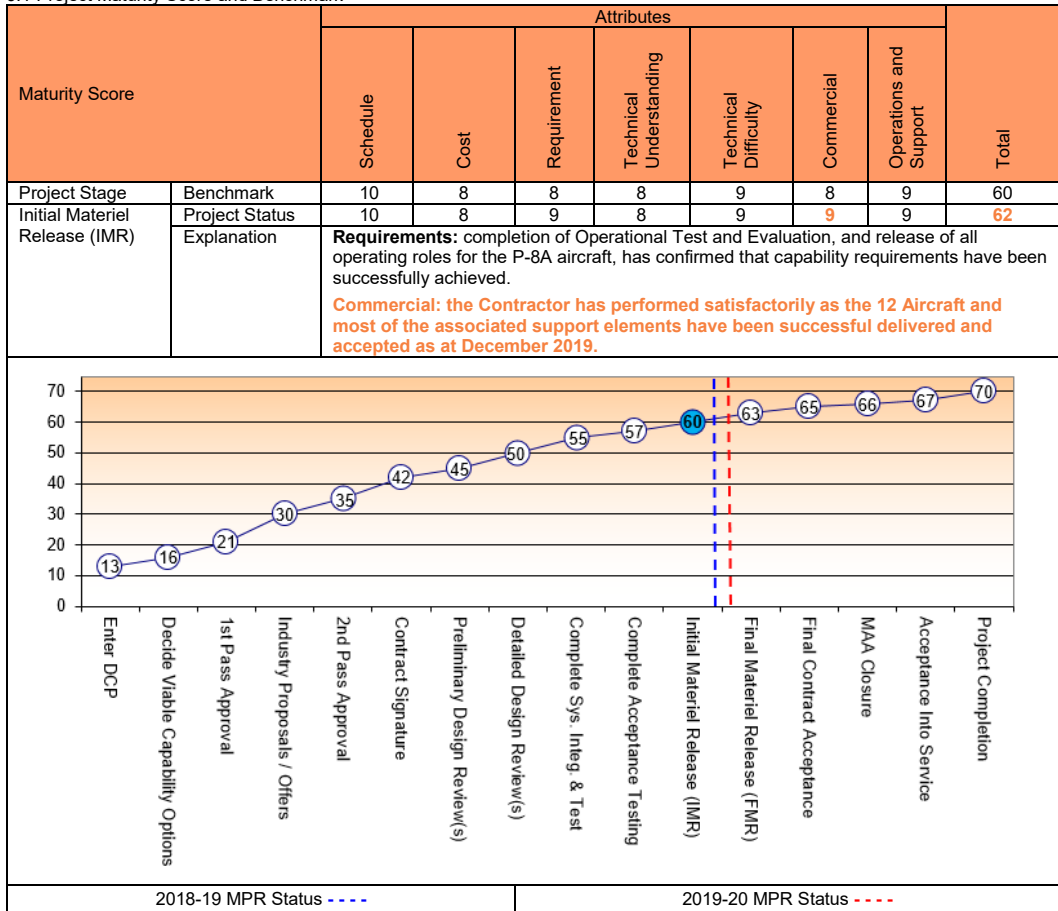
Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
The Project identified schedule risks associated with the Mk 54 torpedo.	<ul style="list-style-type: none"> The balance of Mk54 torpedos arrived in Australia on 31 Oct 2019. The risk has been retired and will no longer be reported.
The Project identified schedule risks associated with the UNIPAC III (objective) Search and Rescue Kit.	<ul style="list-style-type: none"> This risk realised following a UNIPAC III transportation accident in the US. As a result, sufficient items could not be delivered in time to meet the MR3 milestone in Dec 2019. Sufficient legacy kits (UNIPAC II) remain available to provide the required Search and Rescue capability to Air Force until delivery of the UNIPAC III kits in Q1 2021. Air Force has acknowledged the delay of UNIPAC III delivery to Q1 2021. The risk has been retired and will no longer be reported; however, a new medium risk has been raised to manage the revised expected delivery of UNIPAC III.
Emergent Risks (risk not previously identified but has emerged during 2019-20)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

Description	Remedial Action
<p>The following MR3 deficiencies were declared by the Project:</p> <ul style="list-style-type: none"> Permanent installation of one MTOC at RAAF Edinburgh due to delays with E&IG delivery of facilities. This resulted in a minor, but manageable, capability impact. Delivery of all spares and support equipment to support the allocated Rate of Effort. This was partially achieved (80% of spares delivered), but with some risk to aircraft availability from the shortfall. Delivery of Objective Search and Rescue store capability due to a transportation accident in the US. 	<ul style="list-style-type: none"> The deficiency regarding the MTOC is anticipated to be resolved in August 2020, following acceptance of the required facility and successful installation of the MTOC. While a number of spares shortages are shared with the US Navy, the Project is working to review the spares requirements and supply chain improvements, with resolution expected by FOC. Delivery of this capability is now forecast for Q1 2021. Sufficient UNIPAC II kits remain available to provide the required capability to Air Force.
<p>MR2 Fly Away Kit deficiency: The global supply chain for P-8A sustainment is still being refined, resulting in a global shortage of a number of spare parts and GSE.</p>	<ul style="list-style-type: none"> Minor deficiencies against the MR2 spares requirement are being actioned by the P-8 Joint Program Office in the US. These minor deficiencies do not represent an operational concern and are expected to be resolved by FOC.
Note	
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 6 – Project Maturity

6.1 Project Maturity Score and Benchmark



Section 7 – Lessons Learned

7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons
The signed PSFD MoU does not provide explicit detail on those activities which will be undertaken in the interests of both nations by the CP (paid for by shared funding) and those which are Australian unique (paid for in addition to the shared financial contribution). Clearer definition of this division in the MoU would have avoided the post-signature negotiation required to resolve this ambiguity.	Contract Management
The CP model has allowed Australia to work closely with the USN in the future requirements definition and planning for the P-8A. This has been to the significant mutual benefit of both the USN and Australia.	Requirements Management
Precision of description about what is included under the PSFD MoU.	Contract Management
Greater focus in regards to Australian Industry involvement within MoU.	Requirements Management
Scope of the MoU, does not contemplate other USN organisations (NAVSUP, SPAWAR). Consider how support from other US agencies can be assured.	Contract Management
Use of a US Cooperative Program contract support model should be used with caution, if the activity will be subcontracted primarily back to Australian Industry to support. Consider direct contract arrangements within Australia, with reachback to US CONUS OEM as required if IP, export and data support can be assured.	Contract Management
Airworthiness Certification of USN product may not meet Australian WHS requirements. Consider what SFARP approach needs to be taken when introducing into service.	Requirements Management
Export controls need to be closely monitored to ensure the articles receive appropriate Congressional approval in time for shipment, particularly for classified items.	Contract Management

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When interfacing with US ICT organisations, it is very difficult to arrange access with the correct subject matter experts. Consider strong relationships under a cooperative program to ensure the right people are making decisions.	Requirements Management
Procurements through different parts of the USN organisation have different schedules and may take significantly longer than others. Ensure the contracting processes and timelines for the organisation conducting the contract management are well understood, before beginning the Procurement Process.	Contract Management
SATCOM connectivity and who pays for each segment is rarely clear. Ensure ownership of each data segment is well understood.	Requirements Management
SPAWAR manages a large number of components in the TOC across the USN, of which only a small number are needed for an aircraft platform. As a consequence, large numbers of "common" TOC components may be changed as part of a suite of TOC upgrades across the USN fleet, and rolled into what was a relatively minor air vehicle change. This may well hold up delivery of a new mission system software drop while awaiting the software regression testing to be complete on the overall configuration build change for the TOC.	Requirements Management
Consider co-location or moving of Acquisition Project staff to the Sustainment organisation as part of standing up the Sustainment Management Unit (SMU). This will ensure a better flow of knowledge transfer and ownership of the history of a particular requirement. Co-location of the Project Office with the SMU in January 2019 has already yielded benefits in terms of information transfer and cooperation in capability delivery.	Resourcing
Ensure the transition plan is approved well in advance of the first aircraft delivery (12 months or more).	Requirements Management

Section 8 – Project Line Management

8.1 Project Line Management as at 30 June 2020

Position	Name
Division Head	AVM Greg Hoffmann
Branch Head	AIRCDR David Scheul
Program Director	Mr Nigel Linnett
Project Manager	WGCDR Andrew Marriott

